200 The Best Small Companies

November 11, 1991 Four Dollars

Forbes

THE NOT SO PEACEFUL WORLD OF GREENPEACE

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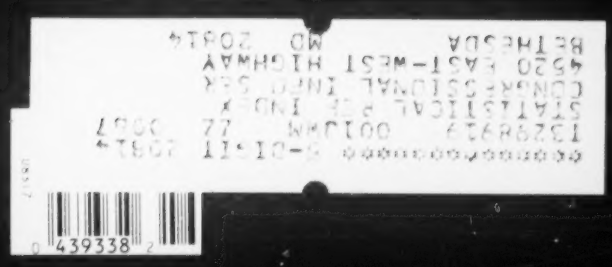

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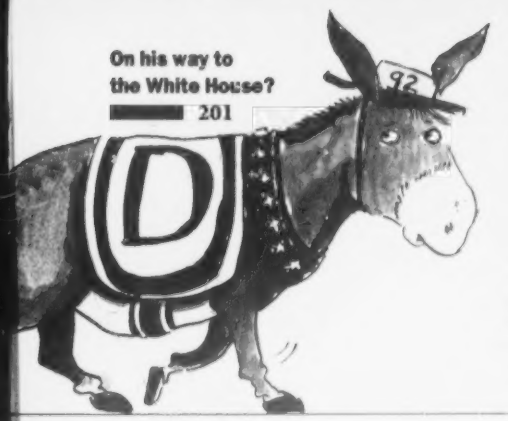

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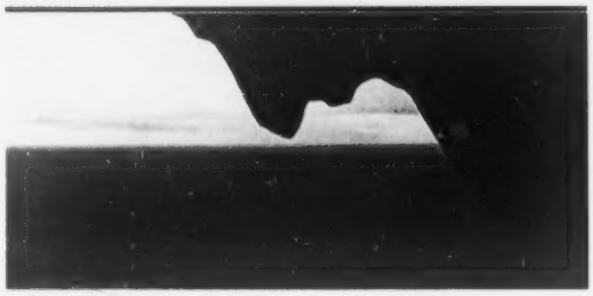

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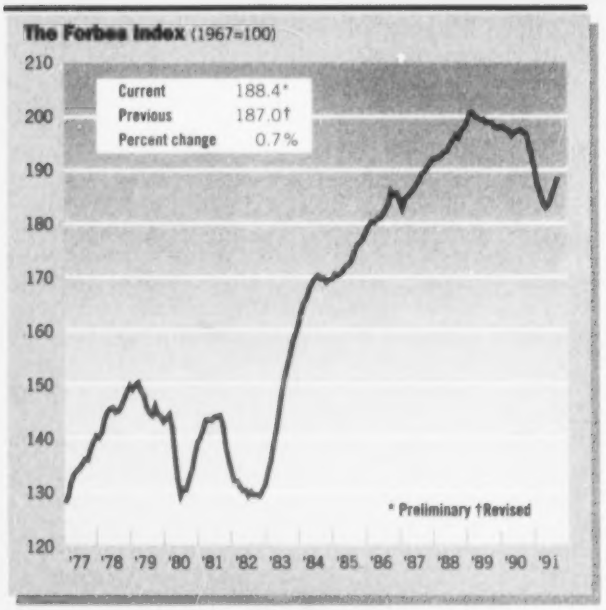
THE FORBES INDEX

BY TIMOTHY DODMAN



Americans have reduced their total debt outstanding during eight of the last nine months, and have thus strengthened their personal balance sheets. But this means they're not spending for autos, appliances or other big-ticket items that, for many consumers, can be purchased only with credit. Will things soon change? To answer that question ask another: With money market funds paying 5% and inflation running below that, why should consumers jump-start an economy by borrowing at 9% for mortgages and up to 20% (nondeductible) for credit card debt?

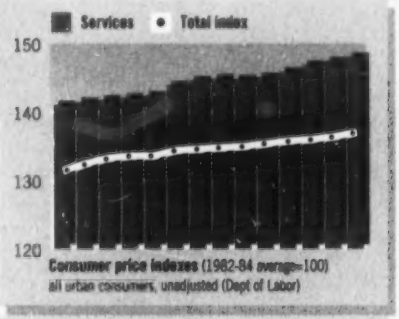
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	8.0%
Auto sales year to date vs 1990[1]	Ward's Automotive	-11.7%
Index of leading indicators Aug vs July	Dept of Commerce	0.0%
Trade balance 12 months ended Aug1991	Dept of Commerce	-$78 bil
All-commodity producer price index Sept vs Aug[2]	Dept of Labor	-0.3%
GNP 2nd quarter vs. 1st—annualized growth	Dept of Commerce	-0.5%
M2 (3-month change)—annualized growth[3]	Federal Reserve	-0.4%

[1] U.S.-based manufacturers, excludes imports, as of 1/10/91. [2] Wholesale goods. [3] Includes M1 (public currency and checking deposits) plus savings accounts and money market funds.

Index components

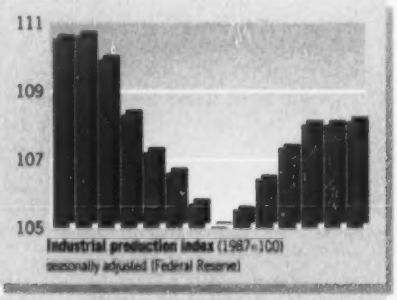
The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)

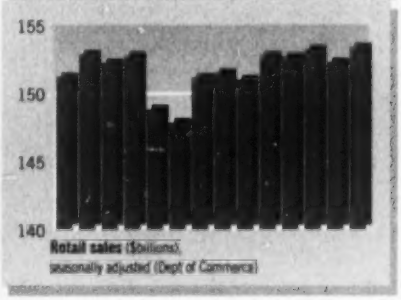


Industrial production index (1987=100) seasonally adjusted (Federal Reserve)

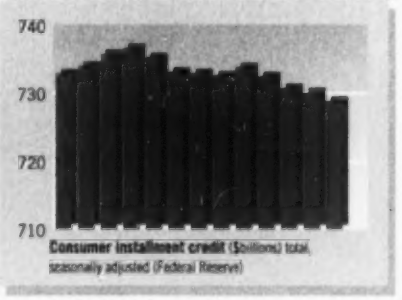
New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)

New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)



Retail sales ($billions), seasonally adjusted (Dept of Commerce)



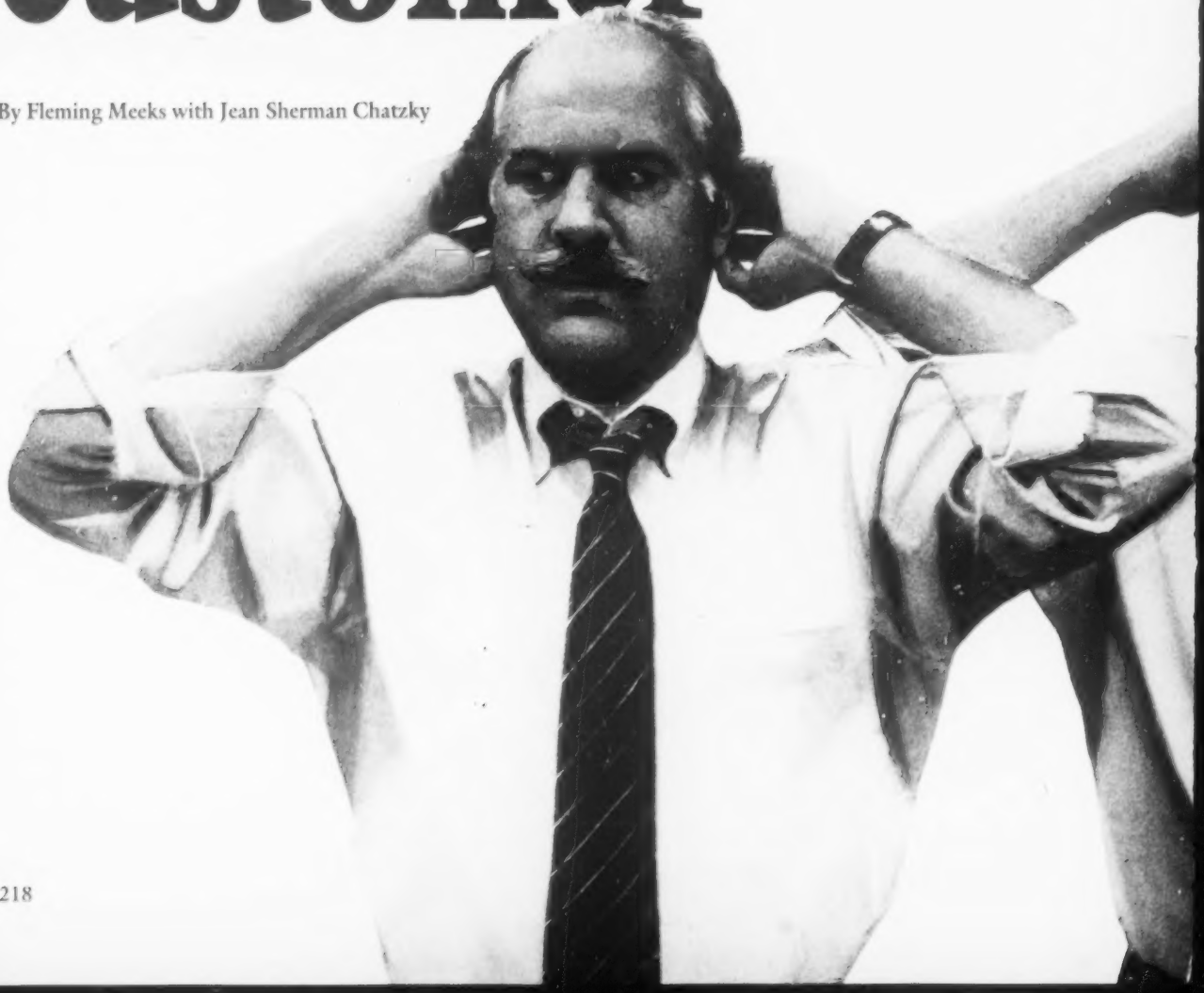
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

A S O N D J F M A M J J A S A S O N D J F M A M J J A S A S O N D J F M A M J J A S

What's the secret to staying on our list of the 200 Best Small Companies in America? For some answers we examine the histories of four companies that seem to have the secret.

Hear, watch, and sell the customer

By Fleming Meeks with Jean Sherman Chatzky



LAST FALL recession hit Paychex Inc., the Rochester, N.Y.-based payroll processor. It hit hard. In September and October the number of paychecks it was issuing for its 125,000 mostly very small company clients fell by 3%. Groans Paychex founder and Chief Executive Thomas Golisano, 49: "We just didn't anticipate it." Worse, for the second straight year, Paychex's 335 salesmen failed to hit their ambitious annual sales quotas of 140 new clients apiece.

Red ink? A collapsing stock price? None of these. This four-time veteran of FORBES' 200 Best Small Companies in America list closed fiscal 1991 with record sales of $137 million and record earnings of $9.6 million.

Golisano was able to deal so successfully with an unanticipated drop in business because he had a promising new product that picked up most of the slack. Two years ago his salesmen started pitching a second service to clients (FORBES, *May 15, 1989*). Paychex had already been preparing its clients' payrolls—calculating pay and deductions, making out checks and preparing dozens of payroll-related tax forms. The new twist: making the tax payments as they came due. One more red-tape headache out of the way for small employers (a typical Paychex client has just 14 employees).

Taxpay, as the service is called, boosts Paychex's revenue per client by 35% to 40%. Best of all, Taxpay involves almost no additional marketing cost, since the same salespeople pitch both services to the same clients.

Thus, even while Paychex lost an estimated $2.5 million worth of its highest-margin business, it still posted strong earnings. The company now has some 26,000 Taxpay customers and is adding new ones at a rate of around 1,700 a month.

More recently, Paychex began fielding a second sales force to call on existing clients, offering health and disability insurance as well as administrative services on bureaucratically complex benefit plans. Says Golisano: "I think we're just beginning to focus in on ancillary things

It's a cliché that the businesses that thrive are those that listen most closely to customers and anticipate their needs. But that's exactly what Paychex does. By listening it learned clients wanted someone to handle their tax payment problems.

we can offer our clients."

Paychex is just one example of the veterans of our list that are extending their product lines to pick up new business from old customers.

It's a cliché that the businesses that thrive are the ones that listen most closely to their customers and anticipate their needs. But that's exactly what Paychex does. By listening it learned that its clients wanted someone to handle their tax payment problems.

It's also a cliché to say that the successful business is one that finds a niche, occupies it and exploits it to a fare-thee-well. That's precisely what Greenbelt, Md.-based Group 1 Software did. Group 1 specializes in software for direct mail marketers and other volume mailers. Ranked number 37 this year, Group 1 is a five-year veteran of the 200 Best list. In fiscal 1991 (ended Mar. 31) it earned $3.9 million on revenues of $26.3 million, up more than three-fold since it first appeared as a FORBES Up & Comer in 1987.

Just seven years ago Group 1 was a tiny division of Comnet Corp., a flailing company whose main business—computer time-sharing—was fast going the way of the buggy whip. Rapidly changing technologies were turning the little company into yesterday's news. By 1984 it was racking up big losses on declining revenues.

Enter Robert Bowen, president of the $2.3 billion (revenues) sales and marketing division of Firestone Tire & Rubber Co. Bowen joined Comnet's board in 1983 and was talked into taking over as president and chief executive the following year. "I took a huge salary decrease," laughs Bowen, "for a piece of the action."

Bowen identified Group 1's mailing list software as a potential niche business and pushed it hard. "We put all the resources we could behind it," he says. Group 1 then began pushing software packages that sort mailing lists by nine-digit zip code, carrier route and bar code. Thanks to this presorting, direct mailers get a discount rate from the Post Office. This postal discount software was first offered to big direct mail customers, like Publishers Clearing House and Time Warner's magazine group, and was later sold to insurance companies, banks and credit card companies.

It's not hard to see why the product, typically priced at $45,000, sells. Blue Cross/Blue Shield of Utah started using it early this year and has already saved over $1 million in postage.

Bowen took Group 1 public in 1987. Comnet still owns 81% of Group 1 and gets most of its income from its precocious offspring.

Group 1 has recently added a software program that does demographic analysis for target marketing and has a sophisticated program for personalizing direct mail solicitations. "The whole market is less than $40 million," says Bowen. "I think there's great potential as we figure out how to do more things for our clients. We're just scratching the surface."

Martin Lerner, chief executive of 38th-ranked American List Corp., in Mineola, N.Y., is a big fan of Group 1. "They're a very clever company," he says. "We use a lot of their software." No slouch itself, American List has ranked as one of FORBES' top Up & Comers every year since 1985.

It, too, is in the mailing list business. Each year, Lerner's four researchers compile lists of students from some 32,000 high schools around the country—nearly 7 million names and addresses, for which it pays about 15 cents each. The company then turns around and sells the names to colleges, which are looking for students; banks, which are looking to make student loans; and the U.S. military, which is looking for recruits.

Last year the company dreamed up the idea of marketing its lists to local photographers looking to drum up business taking graduation photos. Promoted—how else?—by direct mail. Says Lerner: "We made a few mailings, and lo and behold, we're selling thousands and thousands of small lists to photographers."

Like most successful niche companies, American List understands the importance of adding new products in its specialized field. This protects against unexpected downdrafts in the original business as well as against competitors attracted by its success. Founded by Lerner in 1965, American List has recently begun venturing into new mailing list niches. Lists of college students (5.6 million names) do a brisk trade with banks, like Citibank, Chase Manhattan and Maryland Bank, which use them to promote credit cards. Student lists from preschools and elementary schools (11 million) are used by Nintendo and Apple Computer. And the company's most recent compilation of names—newborn babies (about a million names, so far)—is being mailed by consumer product companies, like Kimberly-Clark (diapers) and Bristol-Myers Squibb (infant formula), which use them to send out samples and coupons.

Last year American List sold a total of over 400 million names at an average price of 2 cents each. Gross margins: around 80%. Which means that while American List's revenues are small, its profit margins are enormous. In fiscal 1991 (ended Feb. 28) the company, which employs just 21 people, earned $3.2 million on revenues of $8.8 million. And that's after Lerner, 58, collected nearly $800,000 in salary and bonuses.

Next for American List? Lerner says he might try to acquire a mailing list company that focuses on older people. "Insurance companies, retire-

Charles Johnson, chief executive of $288 million (revenues) mutual fund operator Franklin Resources, has never been shy about pitching his products. He spends about 10% of revenues advertising the Franklin name.

ment homes," he muses.

As it turns out, there are niches everywhere these days—even in the mutual fund business. San Mateo, Calif.-based Franklin Resources certainly found one. In 1982 Franklin Chief Executive Charles B. Johnson introduced the country's first tax-free state bond fund, the California Tax-Free Income Fund. Franklin's timing couldn't have been better. With interest rates falling, investors were pulling their money out of money funds and looking to lock in tax-free yields, which looked especially attractive to investors in states like California that burden their citizens with heavy income taxes.

Within two years the California fund grew to $825 million, more than doubling Franklin's assets under management. Johnson, whose father founded the firm in 1947, quickly began adding new tax-free state funds, as well as a broad range of other fixed-income government securities funds. Total assets under management—including $30 billion in 30 state tax-free funds—now top $55 billion.

In fiscal 1990 (ended Sept. 30) Franklin earned $89 million on revenues of $288 million. The second most profitable firm on our list, Franklin will probably show earnings of close to $100 million this year. And revenue growth could push the company off our list—to above $350 million—by this time next year.

Having found its niche, Franklin exploited it beautifully. Unlike Fidelity Investments, which markets its funds directly to investors, Franklin funds are sold by broker-dealers. That means brokers take about a 4% commission on the sale. Most so-called load funds treat the commissions as their principal marketing expense, and do only nominal advertising. Franklin, however, spends about 10% of revenues—an estimated $30 million last year—on mostly print ads to keep its name high in investors' minds. "Our feeling was that name recognition was very important, whether someone was buying it through a broker or buying it by mail," explains Johnson, 58, who began stepping up the firm's ad spending in the early Eighties.

Most recently Franklin has begun marketing its funds almost like consumer products, using San Francisco 49ers quarterback Joe Montana in its ads. "You use somebody like Joe Montana," explains Johnson, "because it gets people looking at your ads who may not ordinarily look at a financial ad." Johnson's unconventional approach has paid off for investors. Since 1984, when Franklin first made our list, its share has grown twenty-twofold, to a recent 38½.

Johnson notes that mutual fund assets have grown to $1.3 trillion today, up from around $100 billion in 1980. "Percentage-wise the industry can't grow as fast as it has," says Johnson. Adding that he thinks assets might double by the end of the decade, he says matter-of-factly, "We'll get our share of that."

What happens when things go seriously wrong at a FORBES 200 company? The smart company doesn't get carried away by its success but keeps a balance sheet capable of handling adversity. Consider the story of FlightSafety International (FORBES, *Nov. 13, 1989*). Headquartered in Flushing, N.Y., the $273 million (revenues) operator of simulator-based flight training is the only company to have made our list every year since we started ranking Up & Comers in 1979. This year, however, FlightSafety's impressive performance string finally ran out. Bankruptcies at big clients like Eastern Air Lines and Pan American World Airways, as well as significant slowdown in the hiring of new pilots by the airline industry, cut into the need for pilot training. Through June, FlightSafety's earnings slipped 10% on flat revenues.

But you can't keep a good company down. Albert Ueltschi, the company's 74-year-old founder and chief executive, and a member of The Forbes Four Hundred, points out that the dip in earnings is causing relatively little pain. He notes that his balance sheet shows only $34 million in long-term debt as against $188 million in cash. Better shape than it's ever been. "I think airplanes are here to stay," he says with a laugh. "When people start flying again and the airline business turns around, we're in a great position."

Are FORBES 200 companies superior investments? That's a tricky question. In one sense the answer is, definitely, yes.

Over the past year the Standard & Poor's 500 rose 27%; the Nasdaq Composite Index of over 4,000 mostly small companies jumped 58%; and FORBES' Best 200 Companies of 1990 are up a remarkable 75%. But earnings disappointments can still punish a little company's stock price. FlightSafety's earnings dip caused the solid company to miss 1991's strong market for small company stocks altogether. Its shares trade slightly below where they were when the market bottomed out this time last year.

Two years ago we tracked the ten-year performance of the companies on our first Up & Comers list and found that they beat the market by 73%. But just as you can drown in water that averages 2 feet deep, you can lose money picking stocks in a group that has done well on average. As individual stocks, slightly fewer than half the group beat the S&P—though some did so spectacularly. The rest lagged behind.

The wise investor, then, will look for small companies that are unlikely to disappoint after brilliant starts. Unfortunately, numbers based on past performance are an imperfect guide here. Know your managements—and know their products before you invest. ■

Small-cap stocks outperformed the big caps this year; the Forbes 200 did better still. You haven't seen anything yet, says Tom James.

Why small is still beautiful

By Fleming Meeks

OVER THE PAST YEAR, stock prices for FORBES' 1990 list of the 200 Best Small Companies in America have risen an impressive 75%. As a group, too, all small-company stocks have risen at better than double the rate of the broader market.

Too late to get on the bandwagon? Time for the lucky to get out and invest elsewhere? No, says Thomas James, chairman and chief executive of the St. Petersburg, Fla.-based brokerage Raymond James Financial. James says small-company stocks have waited a long time for their chance to shine, and he is convinced they will shine for a good long time.

James, 49, seemed like the right person to ask, for two reasons. First, his $257 million (fiscal 1990 revenues) brokerage (not to be confused with the notorious Stuart-James; see FORBES, *Aug. 20, 1990*) specializes in small and medium-size company stocks. And second, Raymond James itself has made the Forbes 200 list in four of the past five years, earning the 118 spot this year.

James, a Harvard M.B.A. and a 25-year veteran of the brokerage industry, joined his father's four-year-old brokerage straight out of Harvard business school, earned a law degree

Tom James, Raymond James Financial chief executive

"A correction wouldn't change my conclusions for the long term."

on the side from Stetson College of Law in St. Petersburg, and took over the $5 million (revenues) firm in 1969, at the young age of 27.

Five years later, as the country moved through the 1973-74 recession and a market crash that was particularly hard on small stocks, the company was on the ropes. "That was like Chinese water torture," James recalls. "It got progressively worse. You couldn't get salesmen to make phone calls. Everything they sold went down and continued to go down. We were in survival mode."

At this point the younger James' business school training came in handy. "My father really didn't like administration," says James. "He was more interested in the sales process." James concentrated on administration and finance. He closed 5 of the company's 14 offices, and for over a year, until the market turned around, neither he nor his father took a salary.

Ever mindful of that close call, he's since expanded his company with an eye toward keeping costs low. All but 42 of the company's nearly 700 offices operate like franchises. The brokers in these offices are independent contractors who pay their own fixed costs and overhead out of their sales commissions. As a result, even as the market went into a swoon in the second half of last year, Raymond James' net margins were rising to a lofty 7.6%. (Industry average: 2.7%.)

For fiscal 1991 (ended Sept. 30) the company is expected to earn $25 million, or $2.70 a share, on revenues of $290 million. Recent price of Raymond James' New York Stock Exchange-listed shares: 24½, or less than ten times expected earnings.

But back to small-company stocks. Why does James thinks they still have lots of life left in them?

James: Small-capitalization stocks got decimated by the 1987 crash. Then people moved into larger-cap stocks for safe long-term growth performers. So the small caps didn't recover as fast. This year those stocks, many of which were growing faster than the big growth companies, but were selling at discounts to the market multiple, finally caught up.

But have the small caps done all their catching up?

They've made up the deficit from that period, but clearly they haven't made up the longer-term deficit, coming out of 1982. [Since the market bottomed out ten years ago, the Nasdaq index has lagged the S&P almost 20%.] So I think there's plenty of upside in terms of their relative valuation versus the bigger stocks.

Why do you think the small caps performed so poorly over the long term?

Some of the reasons are structural. Though money managers have a lot more money to invest these days,

Tom James and father Robert, circa 1970
Son Tom became his father's boss in 1969. "It was an unusual relationship."

unless they have an emerging growth category, they simply can't put enough into small-cap stocks to influence their overall performance.

Another structural thing that's happened is that more people have decided that the market indexes are very difficult to beat. As a result, you have large pension funds and state funds sending their money to index managers. In other words, you have more quantitative money managers and fewer stock pickers.

And there are fewer broker-dealers these days and fewer account executives. Necessarily that has resulted in less coverage of small-cap stocks.

That doesn't sound bullish.

It's a reversible thing to some extent. As the markets improve, as the profitability of the retail and institutional sides of brokerage firms increase, we will have additional analysts hired and trained in our industry.

We'll also have some additional new small broker-dealers who will be doing some research on their own. And they'll focus more on small-cap stocks.

And when you have a period like we've had in the last nine months, it accelerates the move into smaller stocks. People pay more attention because those are the stocks they've owned or the stocks their friends have owned. They're the ones people hear about at cocktail parties.

So if you look out three or four years, I think you'll find that small-cap stocks will outperform the rest of the marketplace.

Any downside?

When you have a rapid runup like we've had, if you happen to get a major market correction, these stocks would retrench a good percentage of their gains. But that would not lead me to change my overall conclusions for the intermediate and longer term. It would just refocus people on a lot of these stocks again. You would have a chance for more increase.

More opportunities like last fall?

That's right.

The largest concentrations of companies among the Forbes 200 this year are in health care, environmental, computer software and peripherals, and medical technology. Do these groups look good for the future?

Boy, I tell you, if you look where we're focusing, it's on the same groups. We're also looking at restaurants and entertainment, because we think you're going to have a continuation in terms of increases of people eating out and finding things to do with their leisure time. And we like financial institutions, not because of tremendous growth, but because of the consolidation that is going to continue.

Telecommunications is another area where we see tremendous opportunity internationally. It's a great opportunity for the U.S. to lead the restructuring of the telecommunications industry worldwide. Those are the industries where I think there's a lot of opportunity, and a lot of opportunity for small companies. ■

Here's an insurance company that does so well from premium income it can treat its investment income as icing on the cake.

Policies priced for profit

By Ignatius Chithelen

Colonial Cos. Chairman Gayle Averyt
"We have been plowing this field for a long time."

IT WAS THE sort of revelation that changes people's lives. Edwin Averyt was a 26-year-old bond salesman in Birmingham, Ala., struggling to make a living. One day he bumped into a University of Alabama classmate who was selling $1,000 accidental death insurance policies for a $2 annual premium. His friend had sold 18 policies that morning—beginning on the top floor of a single building and working his way down. Seek no more. Edwin Averyt was soon selling similar policies.

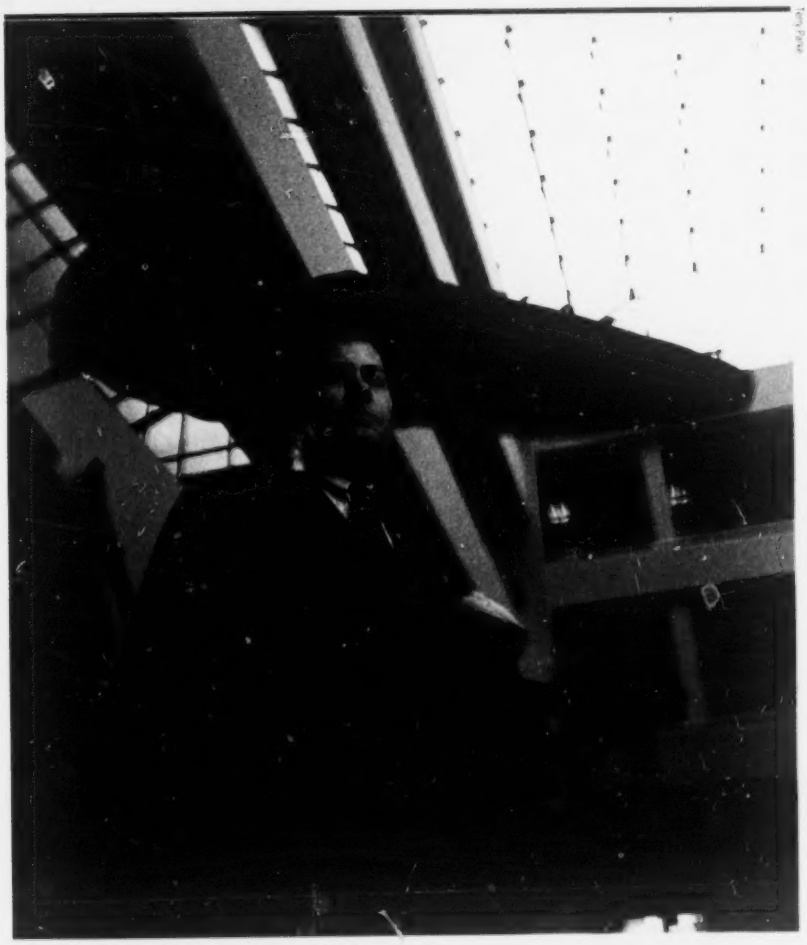
If you wonder why anyone would bother buying a policy that paid only $1,000, we hasten to add that this was 1929—and a buck was still really a buck. Unfortunately for Averyt, it was also the year that Wall Street laid its spectacular egg, and soon bucks were in very short supply. It was a living, but a tough living, in Small City, U.S.A. during the Depression.

Then came a windfall. Averyt earned a $2,000 commission on a savings bond sale for the United Securities Co. of Missouri. He took the money and with a partner started what is now Colonial Cos., Inc. to sell accidental death insurance.

Though Averyt had no background in the underwriting side of insurance, he understood basic business economics. Actuarial tables showed he need set aside only 56 cents in reserve for each $1,000 accidental death policy. Then it was simply a matter of pricing. Since life insurers were getting $30 annual premiums for $1,000 insurance policies, Averyt figured his salesmen could easily sell the accident policies at one-tenth the price. He priced his policies at $3, and, to be conservative, reserved a dollar for each $1,000 policy he underwrote.

It worked so well that operating earnings at Colonial, now based in Columbia, S.C., have compounded at an average annual rate of 15% since 1939. Last year the company earned $33 million, or $2.16 per share, on revenues of $306 million.

Colonial's five-year return on equity has averaged 12.7%, winning it the number 155 spot on this year's list of the 200 Best Small Companies in America—the fourth time in five years that Colonial has made our list. At a recent price of 27¼, or 11 times earnings, the Averyt family stake—



Colonial Cos. Chief Executive Stephen Hall
Low premiums, high profits.

over half the company's voting stock—is worth $34 million.

Colonial succeeded by stubbornly refusing to stray far from the formula that made it successful: selling small insurance policies at small premiums but high markups. "We have been plowing this field for a long time and know how to make money," says Gayle Averyt, 59, who joined his father's business in 1958. A Harvard M.B.A., Averyt took over from his father as chief executive in 1970 and retired earlier this year. He continues as chairman. "I thought 20 years of being CEO was enough," says Averyt, who now devotes most of his time to civic and philanthropic interests.

These days Colonial's roughly 2,400-person sales force services 40,000 accounts—mostly small businesses—covering nearly a million premium-paying customers. Policies covering accidents, both on and off the job, account for 60% of Colonial's business. The company also sells sickness, cancer and life insurance policies, mostly as a package together with the accident policy. Since 1955 it has been selling policies to small businesses as well as to individuals.

The secret of Colonial's profitability is simply this: Low premiums do not necessarily mean cheap insurance. Though the face amounts are relatively small, Colonial prices its products in a way that yields it a lot of profit. "All our products are priced to make a profit solely from the premium income," says Chief Executive Stephen Hall, 45. A University of Utah M.B.A., Hall joined the company's finance department in 1973.

Because its policies are so profitable, Colonial needn't gamble with speculative investments to boost the return on its reserves. Three-quarters of its investments are in high-quality bonds. Colonial steered clear of junk bonds throughout the Eighties. It did, however, scoop up $14 million in better-quality junk issues at attractive prices last year because investors were then running away from them.

It also helps profitability that five decades of underwriting experience enables Colonial to forecast payments on policies to within 1% of the actual figure. "Our database is the one thing our competitors would very much want to steal if they broke into our offices," says David Halmrast, Colonial's chief financial officer."

In 1985 Colonial's payroll deducting business got a boost after one of its top salesmen got an idea from perusing Section 125 of the Internal Revenue Code. Section 125 enables employees to pay for accident and cancer insurance policies with pretax dollars. An employee earning less than $20,000 a year gets an accident policy paying disability income of $600 a month, hospitalization benefits and up to $12,000 in death benefits with a $20 monthly premium for the equivalent of 16 posttax dollars. The employer also benefits, since a smaller pretax payroll means smaller Social Security payments. Last year over half of the company's new policies, and over a quarter of its $281 million in total premiums, were sold under this program.

Most large insurers have stayed out of Colonial's niche. Why? The administrative hassles of maintaining a large number of small-premium policies, combined with lower than average policyholder retention rates, meant it simply wasn't worth bothering with.

Colonial's biggest problem now and throughout its history has been hanging on to top salespeople. Because the company's policies are so small, after two years on the job the average salesman earns only around $25,000 a year. So only three out of every ten salesmen Colonial trains annually stay more than a year. Which makes Colonial something of a training school for salespeople—not a bad reputation when it comes to attracting ambitious young people, even if only for a few years. ■

After Gerry Shreiber sold his share of a little machine shop, he met a water bed salesman who talked him into buying a bankrupt pretzel company. A little snack food empire was born.

"Discover, salvage and build!"

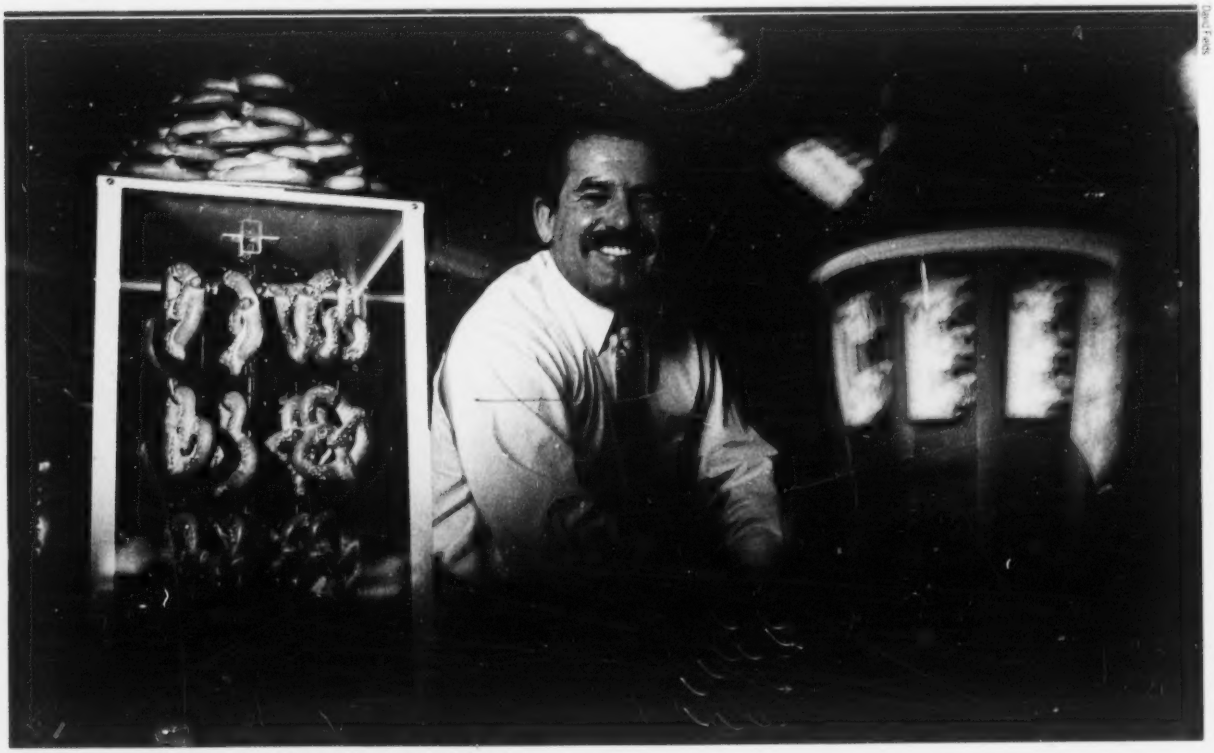
By Christopher Palmeri

ECCENTRIC pretzel baron Gerald Shreiber paces the floor constantly, tends to shout at inappropriate moments for emphasis, and keeps a German shepherd named Kelso under his desk. Kelso has his own business cards, complete with a title (Chief Executive Dog) and phone and fax numbers. "Discover, salvage and build!" shouts Shreiber, enunciating his business philosophy.

It is a philosophy that has taken Shreiber far. Discovered, salvaged and built from bankruptcy, his J&J Snack Foods Corp. supplies some 70% of the soft pretzels that will be sold this year in the country's malls, convenience stores, amusement parks, stadiums and movie theaters. Add in J&J's Slurpee-like frozen soft drinks and a few other snacks, and the company (it's ranked 157 on the 200 Best list) is expected to report earnings of $6 million, or 66 cents a share, on revenues of $110 million in fiscal 1991 (ended Sept. 30). With the stock trading at 14½, nearly 22 times earnings, Shreiber's 26% of the company is now worth $42 million.

Who would have guessed that Gerry Shreiber would do so well? In 1960 Shreiber, then 18, dropped out of New Jersey's Rider College and took a job as an apprentice in a machine shop to support his wife and newborn daughter.

Seven years later he quit the shop and with a friend started a metalworking business in a garage below a Philadelphia pool hall. The venture became a viable business, but it wasn't



David Fecks

J&J Snack Foods Chairman Gerald Shreiber with his products
Can he repeat his soft pretzel trick in slushy sodas?

for Shreiber. "I didn't like being dependent on other companies for business," he says. "I wanted my own product." The partners sold out in 1970, with Shreiber, then 28, pocketing about $60,000.

By chance, Shreiber wandered into a Philadelphia water bed store in 1971. Its owner unburdened on Shreiber a tale of woe. He said he was the largest secured creditor of a bankrupt soft pretzel company. The company's owners were trying to get him to relinquish his claims for 5 cents on every dollar they owed him.

Smelling distressed assets with value behind them, Shreiber looked at the pretzel business and toured the plant. Convinced he could do something with the business, he struck a deal to buy the water bed store owner's claims against the company for 10 cents on the dollar—around $30,000 all told—plus a share of whatever profits Shreiber could wring from the business the first few years. Shreiber then went to bankruptcy court, where he outbid the pretzel company's owners for the assets. For $72,100 he got J&J Soft Pretzel, which consisted primarily of a leased building, pretzel making equipment and eight employees.

At the time, J&J had at least ten major competitors. But most of them thought of soft pretzels as a small-time business, one without much potential to grow. Shreiber thought big time. Robert Radano, now one of J&J's senior sales executives, remembers that when he applied for a truck driving job at J&J in 1972 the ambitious young Shreiber had a map of the U.S. on his office wall. The map had only two pins in it—at Philadelphia and Shrewsbury, N.J.—indicating where the company then had distributors. Today J&J sells its products through a network of 145 food brokers and 875 independent distributors in all 50 states.

Not content to limit himself to the market that then existed, Shreiber aggressively sought to expand the demand for soft pretzels. When he discovered that soft pretzel vendors didn't want to bother with baking the pretzels, he sold them prebaked and frozen pretzels.

About 80% of J&J's soft pretzels are now sent out already baked and frozen. Shreiber sold pretzels to schools, bowling alleys and sports arenas in towns that had rarely seen a soft pretzel. To sell more of his product to snack bars, where counter space is at a premium, he developed compact pretzel ovens and display cases.

"The more business we did," says Shreiber, pacing and barking, "the more I thought we could do more."

As J&J expanded, its unit costs fell to among the lowest in the industry. Pretty soon the weaker competitors gave up; five of them have since sold out to Shreiber.

J&J's main pretzel plant in Pennsauken, N.J. **Shreiber has made soft pretzels a national snack, cranking out 2 million a day.**

Still, the national appetite for soft pretzels is not limitless. Now producing around 2 million pretzels a day, J&J may be approaching its limits. J&J's core business, soft pretzels for vendors in the food service industry, was flat between 1989 and 1990. Ronald Strauss, a food industry analyst with William Blair & Co., is predicting the company's food service growth will be less than 10% a year over the next few years—hardly a growth rate that can justify J&J's stock's selling at 22 times earnings.

So, as always, Shreiber is working to develop new markets for his soft pretzels. He has been placing the product in warehouse clubs and their snack bars, for example, and has developed bite-size soft pretzels with cheese dip that are now available in about 150 movie theaters. McDonald's has also been test-marketing J&J's soft pretzels at some of its stores.

Another idea: frozen soft pretzels for consumers, which Shreiber tried to sell through supermarkets starting in 1986. So far this has not been profitable, largely because Shreiber underestimated the need to market his frozen SuperPretzels to consumers. But Shreiber isn't giving up. Last year he hired Michael Karaban, former head of marketing for Kraft General Foods' $150 million Lender's frozen bagels brand. Karaban redesigned J&J's frozen pretzel packaging and switched the company's marketing focus from trade discounts to consumer advertising.

Shreiber has been having much better luck on his latest venture, frozen soft drinks. This is a $500 million (retail revenues) market whose biggest name is the Slurpee brand, owned by Southland Corp.'s 7-Eleven stores. Three years ago Shreiber bought a moneylosing little company that sold a slushy frozen drink called Icee. Icee, which J&J sells in 15 western states, Mexico and Canada, already makes up 35% of J&J's revenues. Sales and operating income for the division are growing at rates of better than 20% a year.

Shreiber hopes to expand nationally by buying more Icee franchises and pushing Icee into more and more convenience stores and discount-store snack bars, much as he did with soft pretzels. To that end, in July, J&J raised $29 million in a secondary stock offering. The money is being invested primarily in Icee dispensing machines, which the company is placing in stores as fast as the machines can be built.

Discover, salvage, build—despite his impressive wealth, Shreiber applies this dictum to his personal possessions as well as to business. A dyed-in-the-wool penny-pincher, he owns a horse farm in Mullica Hill, N.J. that he bought at a bankruptcy auction. He picked up his English Tudor beach house on the Jersey shore cheap in an estate sale. Even Kelso, the Chief Executive Dog, comes from the pound. Having built a successful pretzel business from scrap, can he repeat the trick in frozen drinks? Chances are he can.

John Brown's Stryker Corp. has grown at better than 20% a year since he joined the company in 1977. For how much longer? Forever, replies the ebullient Brown.

Focus through decentralization

By Zina Sawaya

HOMER STRYKER'S cleverness nearly got the better of him. Fifty years ago the Kalamazoo, Mich. orthopedist invented a mobile hospital bed with a frame that pivoted from side to side so that doctors could position injured patients while keeping them immobile. He soon won a contract to supply the beds to the Army, and his little business was off and running. But when World War II ended, the government canceled its contract, and Homer Stryker was stuck with huge inventories.

What to do? More of a doctor and a tinkerer than a businessman, Stryker turned to professional managers. They started selling the beds—technically known as stretchers—to hospitals. The business was saved, and Dr. Stryker continued with his medical practice and his inventions. Soon he came up with a second product—a cast cutter, still used in hospitals today, which removes casts without ripping a patient's skin.

Michael J. Agliolo

Stryker Corp. Chief Executive John Brown

Decentralization, diversification and a fixation on 20% growth.

These days Stryker Corp. continues to churn out new ideas for the hospital market. The Kalamazoo-based firm—which has made our list of the 200 Best Small Companies in America for ten years straight—now offers an array of niche products, including bone drills and saws, hospital beds, hip implants and video cameras for internal surgery.

Stryker earned $24 million last year (before a $10 million gain from a patent settlement) on revenues of $281 million. With a five-year average return on equity of 16.8%, Stryker ranks 108 on 1991's Best Small Companies list.

The man behind Stryker's success is John Brown, a 57-year-old Tennessean who took over as president in 1977. An Auburn University graduate, Brown came to Stryker after Homer's son, Lee Stryker, who

had run the company since the mid-Sixties, died in a plane crash. Prior to Stryker, Brown ran a subsidiary of Bristol-Myers Squibb that made surgical instruments.

While Stryker had a well-established niche in the hospital market, the company was not without problems. When Brown took over, the family-owned firm was still reeling from Lee Stryker's death and recovering from a couple of managerial fumbles. Most members of its sales force had quit after their compensation system was changed from commissions to salary. And an unrelated disagreement with union officials over workers' salary had led to a monthlong strike. (Stryker's workers have since voted out their unions.)

Brown's first moves were to establish a formal budgeting system, cut costs and rebuild the sales force—by putting it back on commission. He then turned his focus to the company's product line.

"Stryker's name was bigger than the company," recalls Brown. At the time, nearly 70% of Stryker's revenues was coming from hospital beds. Leveraging the strength of Stryker's name with hospitals, Brown added hip implants and medical video cameras, and beefed up his line of surgical power tools. Stryker's surgical group, which includes these products, makes up over 80% of the company's sales and most of its profits.

Next, Brown broke the company into several divisions, allowing each to operate autonomously. Autonomy for the managers was not the same thing as freedom. Brown told them that he wanted each division to grow at no less than 20% annually. "That's the law," says the soft-spoken but iron-willed Brown. A law he has successfully enforced. Stryker has posted 20%-plus earnings growth every year since 1977.

Brown uses a sort of friendly intimidation to get his message across. "When I inherited the medical division, sales were flat," says Harry Carmitchel, who was hired in 1987 to run the lagging hospital bed operations. "My first month, he [Brown] comes up to me and wants to know why it's not growing already." Carmitchel introduced a series of new products and strengthened his sales force. And as the quarterly growth chart posted in his plant's hallway indicates, he brought the division up to snuff.

Brown's divisional strategy has proved critical as Stryker's product line has grown more complex. Instead of one sales force peddling everything from maternity beds to high-tech machinery, each division now has its own, often highly trained, sales staff. "It's achieving focus through decentralization," says Brown.

The specialized sales teams also helped Stryker better meet its customers' needs. Stryker's salespeople act as a de facto research and development team. As such, most of the company's new product ideas come from salesmen standing in the operating room next to the physician. There they can observe the doctor in action, write down his comments and come up with ways to improve a saw, a hip implant or a hospital bed.

Assembling a surgical drill

Listening to doctors for new ideas.

Case in point: Eye surgeons kept complaining about a bed's lack of flexibility at the head level. It was hard, they said, to position a patient's head. Stryker people took note. Next year the company will roll out a bed with a movable head rest—an incremental change but an innovative one, and one that will bring higher margins than the standard bed.

Since 1986 Brown has almost quadrupled research and development expenses, to about $25 million this year. While the salespeople bring back specific requirements for product improvements, a staff of more than 150 does the actual engineering and design work in Stryker's labs. The combination keeps Stryker's product line growing. Half of Stryker's current products were introduced in the last five years.

Another hot new product is a tiny, $18,000 video camera used with a laparoscope for gall bladder surgery. Rather than making a major abdominal incision, the surgeon punctures the abdomen and inserts a laparoscope—a long instrument used to peer inside the abdominal cavity. Aided by the camera, which projects a clear and accurate image on a large color screen, the surgeon can swiftly remove the gall bladder. Instead of a two-week hospital stay, the patient is out the next day. Pressure to hold down health care costs have made this a brisk seller.

Brown may use some of the company's $64 million in cash for acquisitions. But chances are it won't burn a hole in his pocket. Over the past five years Brown has spent only $15 million. He points to Stryker's acquisition of Osteonics Corp., a maker of hip implants, as a model. When Stryker acquired it in 1979, Osteonics had a promising new product and zero sales. Stryker's Osteonics division is now one of its most profitable operations. Says Brown: "We buy ideas, not companies."

Stryker has been public since 1979, when the Stryker family decided to sell stock to free up some of its assets. Its o-t-c-traded shares have since risen twofold, to a recent 28½. (The family still owns 24% of the company, worth $325 million.)

This year Cowen & Co. health care analyst Daniel Lemaitre expects Stryker to earn $31 million, or 65 cents a share, on revenues of $360 million. With the stock at a hefty 44 times expected 1991 earnings, the market seems to think Brown can maintain Stryker's impressive growth rate for the foreseeable future.

For his part, Brown insists that he has no intention of letting up on his ambitious growth goals. "It's not just 20% this year," he says. "It's 20% forever." ■

Robert Hawk started an Italian restaurant as a lark. Nearly 20 years later, his Spaghetti Warehouse chain is on a roll.

Crazy like a Hawk

By Claire Poole

ROBERT HAWK had an appealing sort of problem. It was 1970, and Pier 1 Imports had just gone public—four years after a management buyout from Tandy Corp. Hawk, who was then 43 and a Pier 1 vice president, saw his small stake in the company turn into a couple of million dollars' worth of stock. Suddenly, he recalls, "I had more money than I knew what to do with."

Then he remembered something his former boss Charles Tandy once said. "When you reach that point in your life," Tandy said, "run a bar, start a restaurant or retire on a farm." Farm life didn't appeal to him, so Hawk cashed in some of his Pier 1 stock, leased an abandoned pillow factory on the west side of downtown Dallas and turned it into a family-style Italian restaurant he called Old Spaghetti Warehouse.

"My friends thought I was crazy," says Hawk, a soft-spoken 6-foot-2 Oregon native. "I'm not sure that I wasn't." That was in 1972.

In 1991 it is more than clear that Hawk wasn't crazy. The restaurant, which offered basic pasta dishes at prices college students and young families could afford, was so successful that six months after he opened it Hawk quit Pier 1 and went into the restaurant business full time. Today his $43 million (revenues) Spaghetti Warehouse chain has restaurants in some 20 cities around the country. With a five-year average return on equity of 14.5%, Spaghetti Warehouse ranks number 135 on FORBES' list of the 200 Best Small Companies in America, up five notches from its ranking last year.

Like Hawk's first restaurant, most Spaghetti Warehouse outlets are in converted factories and warehouses in urban areas. The basic fare: 11 different made-from-scratch pasta sauces—from meat and meatballs to something called beer chili—as well as 15-layer lasagna, manicotti, cannelloni and chicken parmigiana. Average restaurant size: 15,500 square feet, with 450 seats.

Most nights find the restaurants serving to capacity. Prices, still reasonable, are one reason. Lunch is less than $6, and an average dinner bill, excluding tip and alcoholic beverages, usually runs just over $8—not much more than a movie ticket. The quirky decor, mostly picked up at auctions and junk shops, adds to the entertainment value. In addition to mismatched tables and chairs, most restaurants feature stained-glass windows, chandeliers, brass beds converted into seating, church confessionals turned into phone booths, even eat-in trolley cars.

"The concept brings them in," says Hawk. "The food brings them back."

Since the initial public offering in 1985, revenues have more than tripled, to $43 million in fiscal 1991 (ended June 29). Earnings hit just under $4 million, or 76 cents a share, up from 24 cents in 1985.

If anything, the recession may have helped Hawk's business: These days

Robert Hawk, founder and chairman of Spaghetti Warehouse
"My friends thought I was crazy. I'm not sure that I wasn't."

Louis Neeb, Spaghetti Warehouse's new chief executive

Plans to open five new restaurants a year over the next few years.

people don't stop going out to eat when things get tough, but they do look for less expensive places to go. Over the past 12 months, the company's net earnings rose over 38%. At a recent price of 24⅞, Spaghetti Warehouse's New York Stock Exchange-listed shares have risen fourteenfold from their offering price. Hawk's 6% of the company is worth around 9 million.

How does Spaghetti Warehouse keep prices low and still wring over 9 cents of net profit from each sales dollar? (The industry average of all restaurants is a bit less than 9%.) It all starts with the buildings. Hawk typically picks old factories and warehouses in run-down areas of inner cities where the real estate is cheap. In Oklahoma City, for example, Hawk bought an abandoned furniture warehouse for $187,000 in 1989. And because the location was in a historic area, he got a $100,000 tax credit for renovating the building. The low acquisition costs allow him to spend real money, usually around $2 million each, to refurbish his buildings. In its first year, the 400-seat Oklahoma City restaurant generated $3.8 million in sales and $1.1 million in operating cash flow.

Spaghetti Warehouse's basic pasta fare is relatively inexpensive to prepare, and Hawk minimizes the cost by centrally buying staple ingredients—spaghetti, tomato sauce and cheese—directly from manufacturers whenever possible, often countercyclically. As the chain has grown, the company has achieved better economies of scale. In fiscal 1991 food costs were down to 23.2% of sales, versus 25.3% four years ago. Each percentage point of savings adds over $400,000 a year to pretax earnings.

The trick in any moderately priced restaurant operation is to keep costs low but the level of service high—otherwise your customers will soon find another place to eat. To resolve the conflict between low cost and high service, Hawk pays his managers year-end bonuses that run betweeen 30% and 50% of their base pay. The bonuses are based on both a restaurant's profitability and its sales growth. That's a big incentive to run a tight ship, but not a too-tight one. Including bonus, the average Spaghetti Warehouse general manager makes $67,000 a year; kitchen managers get around $45,000.

Spaghetti Warehouse now operates restaurants as far afield as Rochester, N.Y., Charlotte, N.C. and Tampa, Fla., but Hawk believes there's still plenty of room to expand. In May the company raised $20 million in a secondary stock offering. Hawk used half of the money to pay down the last of the company's debt. The rest will go to refurbish the Dallas flagship restaurant and fund expansion plans—at least five new restaurants a year over the next couple of years, in places like San Antonio, Cleveland and Columbia, S.C. Hawk has also recently signed his first franchise agreements; these will put Spaghetti Warehouses in Kansas, Tennessee and southern California.

Hawk officially retired as president and chief executive officer of the company in July, bringing in Louis Neeb, 52, a former president of Steak & Ale and Burger King. But Hawk is still very much involved. As chairman, he spends most of his time shopping for new sites and attending auctions to bid on fixtures for the restaurants (or antique cars for himself), or fishing near his vacation home in Crested Butte, Colo.

An informal fellow who helps hang signs before restaurant openings wearing an old flannel shirt, blue jeans and a cowboy hat, Hawk says he's as surprised by his current good fortune as he was 19 years ago when he cashed out his Pier 1 stock. Announcing his retirement, he described his success in a typically self-effacing fashion: "It was the case of a blind hog stumbling into the sour mash." Well, that and a lot of attention to the paying customers and figuring out what they want and will pay for.

Laser Precision has managed to weather a managerial storm that would have sunk most little companies. Whether it can now realize its potential for growth is a very open question.

Lull before the next storm?

By Fleming Meeks and Jean Sherman Chatzky

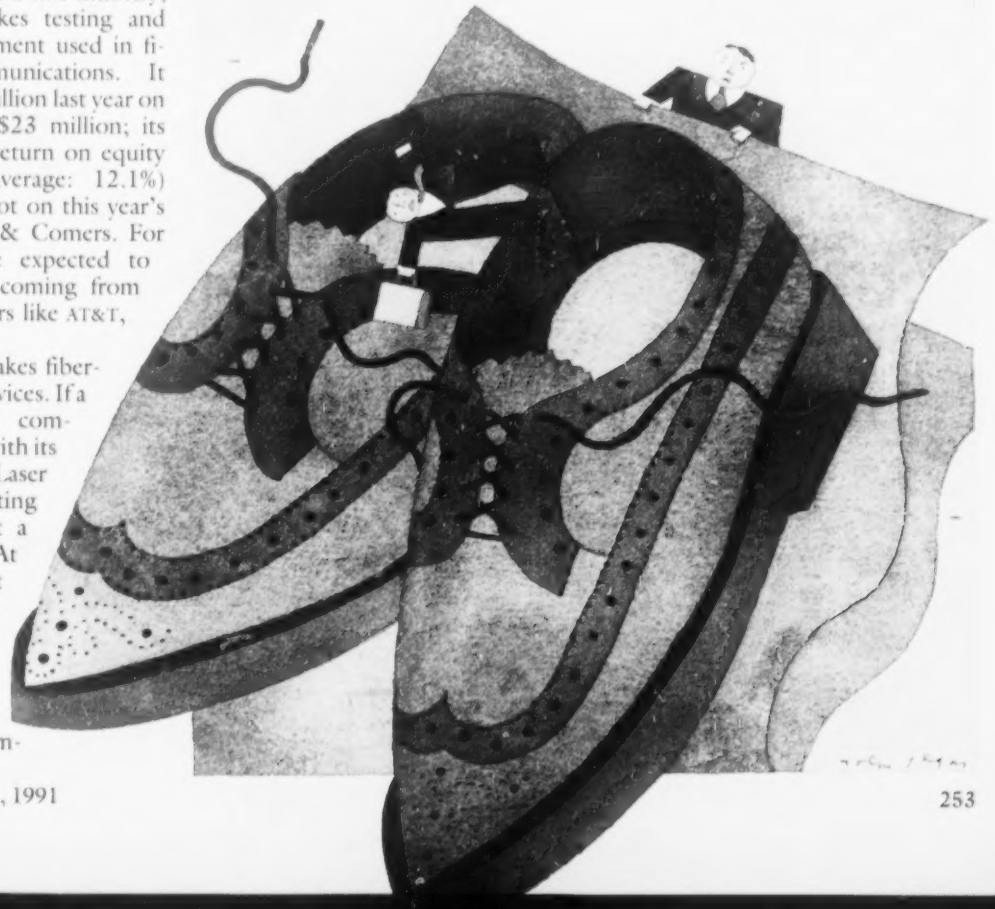
USUALLY, high turnover of top management is anathema to small companies—a sign of impending death. Yet Laser Precision Corp., of Irvine, Calif., seems to have survived managerial turmoil that has seen three individuals occupy its chief executive office in about as many years. Whether the company can continue to survive is the question.

A hot company in a hot industry, Laser Precision makes testing and measurement equipment used in fiber-optic telecommunications. It earned close to $2 million last year on revenues of nearly $23 million; its consistently strong return on equity (five-year annual average: 12.1%) won it the 166th spot on this year's list of the best Up & Comers. For 1991, revenues are expected to reach $27 million, coming from sales to big customers like AT&T, Sprint and MCI.

Laser Precision makes fiber-optic cable testing devices. If a telecommunications company has a problem with its fiber cable, it uses Laser Precision's testing equipment to shoot a beam into the cable. At a distance up to about 80 miles, the beam can locate and diagnose any defect in the cable. So strong is the product that the company commands a 26% share of the worldwide market for fiber-optic test equipment.

Walter (Mike) Doyle, a University of California at Berkeley Ph.D., and a couple of college friends started Laser Precision in 1969 in Utica, N.Y. They raised $150,000 in a tiny intrastate offering in 1970. In 1977 Doyle moved the company's work in laser-based chemical analysis to California. His partners remained in Utica to work on fiber-optic test equipment. (They eventually left the company.) In 1980 Doyle raised $1.5 million from the public for the marginally profitable company. But growth remained slow. Doyle kept the company afloat by selling more shares, slowly diluting his initial stake.

In 1984 he met a successful venture



capitalist named David Goodman. Doyle needed help and asked Goodman to become a consultant to the company and later join Laser Precision's board. Goodman recommended that the company pump more money into the fiber-optic side of the business.

Goodman then introduced Doyle to his old friend C. Fredrick Sehnert, who had been involved in several high-tech companies—Kratos, Inc. and Wavetek Corp. among them. Goodman brought him into Laser Precision in 1985.

Over the next three years the fiber-optic test equipment business began to take off, bringing in large operating profits. But in 1988 the chronically unprofitable laser-based chemical analysis group, Doyle's baby, was dragging down Laser Precision's earnings.

The board asked Doyle to bring in a professional manager to run the company. Doyle resisted the idea. The board fired him in 1988.

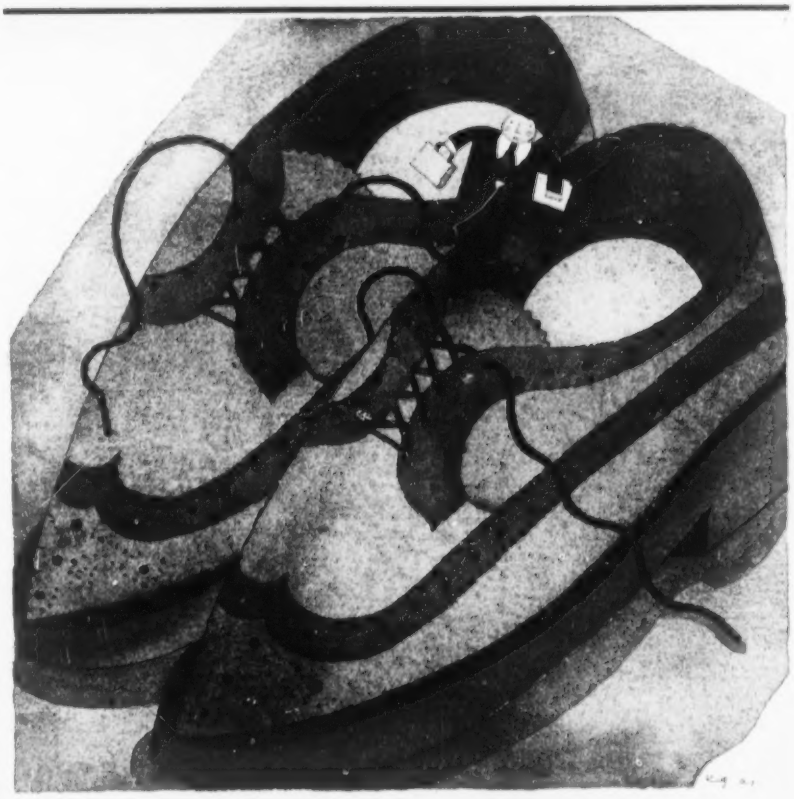
With the founder gone, who would run the company? The board picked Goodman, then 68, who had not held an operating job since the Fifties. He continued to push the fiber-optics test equipment side of the business. But he also continued to invest in the moneylosing analytic division.

In 1989 revenues stalled at $26 million. The fiber-optics test equipment division was still growing smartly and throwing off good money, but losses in the analytic division dragged earnings to less than $200,000, from $1.9 million the previous year. Laser Precision's stock price was more than halved, to below 3.

It was, as they say, a defining moment in the company's development. But still Goodman resisted the board's pressure to get rid of the troubled division. Finally, the board acted. Early this year Laser Precision sold the analytic division, turning Laser into a hot stock. By August its shares shot up to over 16.

In August the board fired Goodman, replacing him with Fredrick Sehnert. The stock has recently eased to around 9.

How has Laser Precision survived this turmoil? The product, as noted, is excellent. And the engineering, marketing and production people, most of them based at the company's manufacturing facility in Utica, continued to introduce successful new products while the generals out on the West Coast have squabbled and departed. Moreover, the market for Laser Precision's testing equipment is growing rapidly. Montgomery Securities expects the global market for fiber-optic test equipment to grow to $400 million by 1994.



How has Laser Precision survived this turmoil? The product, as noted, is excellent. Moreover, the market for fiber-optic test equipment is growing rapidly.

But no company can survive such turmoil indefinitely. Having survived one storm, Laser Precision will probably enter another unless the new chief executive, Sehnert, can get his act together quickly. Otherwise, he may start losing ground to those competitors that will see the same growth forecasts.

Is Sehnert up to the job? His record in running Kratos (liquidated in 1986) and ailing Wavetek (sold earlier this year) is not encouraging. Nor does he sound very sure of himself when he looks ahead and says: "It will be a major challenge for us to do as well as the company has done."

Indeed it will. ■

In this era of bank megamergers, hundreds of small banks remain happily independent and nicely profitable.

Think global, bank local

By Jason Zweig

THIS COUNTRY'S first bank failure was not a behemoth like the Bank of the United States, but the little Farmers Exchange Bank of Glocester, R.I., which went kaput in 1809 after lending $800,000 on $45 in capital.

So it was that for many Americans big meant safety in banking and small meant risky. No longer. With mighty Citibank and Security Pacific humbled into suspending their dividends, it is clear that size is no longer any key to asset quality. In fact, some of the smallest banks are today some of the most secure.

Let's start by looking for bad assets. CPB Inc. is the Honolulu-based parent of Central Pacific Bank. There nonperforming loans have shrunk from $8.8 million in 1986 to just $3.9 million last year—even as total assets were mushrooming from $605 million to $1.04 billion.

In the annual report of Bellingham, Wash.-based Horizon Bank, all you'll find is this: "The Bank had only one nonperforming loan of $66,235 as of Mar. 31, 1991." This on year-end 1990 assets of $331 million, making the ratio of nonperforming loans to total loans almost invisible. Rub your eyes all you want; it's not a typo.

Overpaid, out-of-touch management? At Bank of Granite in Granite Falls, N.C. (assets, $326 million), Chairman John Forlines earned all of $177,470 last year. The bank has had record earnings for 35 quarters in a row, but Forlines' office in the two-story headquarters overlooks the railroad tracks, and he trundles around town in a Buick.

Officers and directors who won't buy their own stock? At National Commerce Bancorporation of Memphis, Tenn. (assets, nearly $2 billion), insiders own 26% of the shares. No wonder return on equity hit 18.7% last year.

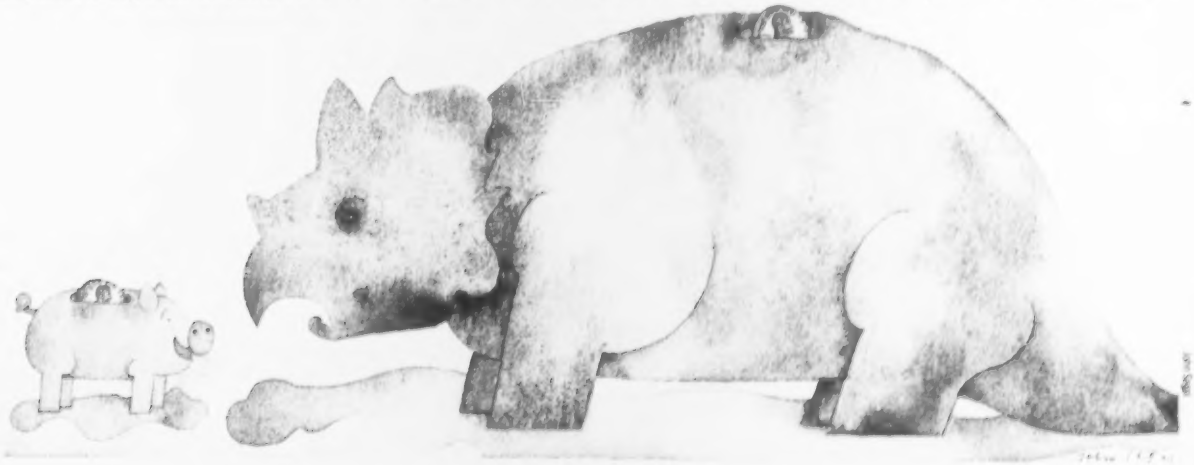
Grandiose ambitions? You'll have to settle for the stated mission of First Merchants Corp. in Muncie, Ind.: "to be the financial services provider of choice in east central Indiana."

These community banks and small regional banks may not know a yen-bond barbell swap from a hole in the ground, but they do know how to lend out money and bring it back in when it's due. Take Bank of Granite, which has nine offices in western North Carolina. Says Chairman John Forlines: "Service is an absolute obsession with us."

So is knowledge of its communities. Bank of Granite has local boards of directors in each of the six communities where it has branch offices. Among its directors are accountants, stockbrokers, furniture and pharmaceutical executives, dentists, teachers and truckers. The local directors are "our eyes and ears," says Forlines. They complement the fieldwork of the branch managers and lending officers. They know who needs money; they know who can pay it back.

Service is also an obsession at First Merchants Corp. Last year First Merchants hired four market researchers to masquerade as customers for a month, opening accounts, telephoning branches, critiquing every service and employee they encountered. "We weren't quite as good with our customers as we thought we were," says President Stefan Anderson.

So First Merchants urged employees to be more vigilant and creative with customers. When a teller recently noticed that an elderly woman seemed "unsure of herself" while making a withdrawal, she took the woman aside for a chat, only to find that the customer was the victim of a telemarketing scam. The teller contacted the police. "She saved our



Own a piece of the pebble

Bank/location	Return on equity 5-year average	Return on equity latest 12 mos	Non-performing assets[1]	Return on average assets[2]	5-year EPS growth rate	Latest 12 mos sales ($mil)	Latest 12 mos profits ($mil)	Recent stock price	Market value ($mil)	Latest 12 mos P/E
Bank of Granite/Granite Falls, NC	18.2%	17.9%	0.83%	2.08%	13%	$33	$6.7	21	$77	11.6
CPB/Honolulu, HI	14.3	15.4	0.25	1.21	20	98	12.2	21	107	8.8
First Merchants/Muncie, IN	11.2	12.3	0.80	1.20	10	52	6.3	28	58	9.2
Firstbank of Illinois/Springfield, IL	11.4	13.3	1.25	1.13	19	117	13.0	28	160	11.9
Horizon Bank/Bellingham, WA	9.8	10.4	0.00	1.57	13	34	5.1	15	58	11.4
National Commerce Bancorp/Memphis, TN	17.6	19.2	0.50	1.41	15	216	28.3	31	316	11.4
Omni Capital Group/Salisbury, NC	9.8	10.2	0.63	1.02	12	57	5.6	18	45	8.0
Onbancorp/Syracuse, NY	9.6	13.8	0.65	0.86	38	183	17.7	19	147	8.3
One Valley Bancorp/Charleston, WV	11.7	13.1	0.69	1.01	10	199	19.8	32	191	9.7
Workingmens Capital Holdings/Bloomington, IN	9.6	15.8	0.14	1.06	20	15	1.7	15	13	7.9

Stock prices as of Oct. 11. [1]As a percentage of total assets, last quarter; includes loans 90 days past due and still accruing. [2]Last four quarters.
Sources: William O'Neil & Co.; SNL Securities.

These small to midsize banks and thrifts have returns on equity that a lot of industrial companies would envy, earnings growth that many technology companies would wish for, and balance sheets that most big banks would die for.

customer $10,000," says Anderson proudly.

Slick marketing helps, too. Bank of Granite offers accounts for older people that provide perks including discount vouchers at local opticians, free notary service and assistance with medical claims. "The people over 55," slyly says the 73-year-old Forlines, "they're the ones who have the money."

National Commerce Bancorporation takes marketing literally. One of its subsidiaries, Nashville Bank of Commerce, has about $150 million in deposits at 14 branches- all inside Kroger supermarkets. "We didn't have to worry about a competitor opening up a branch across the aisle," jokes Chairman Bruce Campbell—and the supermarket banks are open evenings and Saturdays. At National Commerce's Memphis branches last year, customers got a $5 credit and an apology from the bank's president if they had to wait more than 5 minutes in line for a teller. (By year-end the bank had shelled out $120.)

With their prudent lending and imaginative marketing, you might think the small banks would be hot stocks. Not really. According to SNL Securities of Charlottesville, Va., shares of banks with less than $1 billion in assets rose just 17.6% this year through Oct. 15. Meanwhile, the stocks of the nation's largest banks—each with more than $10 billion in assets—rose 54.6%. Yet the average big bank has 2.92% of its assets in nonperforming loans, while smaller banks average just 1.42%. (The average for the ten banks on our list above: 0.57%.) "The smaller banks tend to be undervalued compared with the larger ones, because there are so many of them and so few analysts who follow them," says James Marks of SNL Securities.

This is not to say that small banks are risk-free. They are not. Just as many big banks lent too much to real estate developers, leveraged buyouts or Third World countries, many small banks are highly concentrated in real estate or small business lending. Since they are not geographically diversified, small banks can take a pounding if the local economy falters. Independent Bank Corp. of Rockland, Mass., for example, returned 17.25% on its average equity in 1988. But it crumbled with the rest of Massachusetts. Over the last 12 months its return on equity plunged to −48.25%, and since June its Rockland Trust Co. unit has been operating under a consent decree with the Federal Deposit Insurance Co.

As for investing in the stocks, liquidity can be a problem. Most small banks trade thinly over-the-counter, so even an individual investor can knock the stock around. And they are not exactly dying to be in the limelight. George Gust, chairman of Horizon Bank, politely declined an interview with FORBES: "We'd just as soon pass it by. One reason we're so healthy is we've stayed out of the newspapers and magazines. Thank you for your interest, though."

Despite such modesty and the problem of thin stocks, smaller banks are attracting institutional investors. Take Workingmens Capital Holdings, Inc., parent of Workingmens Federal Savings Bank of Bloomington, Ind. An investment group led by First Manhattan Co. holds 7%, and Wellington Management Co. holds 10%. Honolulu's CPB is 14% owned by Sumitomo Bank, 6% by the State of Wisconsin Investment Board. National Commerce Bancorporation is 5% owned by one of the few big banks that can rival it in profitability, J.P. Morgan & Co.

Not all the nation's 9,000 or so under-$1-billion banks are this affluent, but thousands are nicely profitable and happily independent. In this era of big mergers and ever-bigger banks, don't write off the hometown bank.

Just how much do they earn, these dreamers and drivers who are running America's leading small companies?

Meet the bosses of the 200 Best

By Steve Kichen

WHAT'S THE PROFILE of the typical chief executive on our 200 Best Small Companies list? Male, 53 years old, has been with the company 12 years and running it for 8 years.

Of the 200 chief executives, 85% have a college degree; 42% have at least one graduate degree. Harvard graduated more small-company executives—8—than any other school, with Dartmouth and the University of Wisconsin next.

Technical backgrounds, including experience in engineering and medicine, showed up on the résumés of 57 chief executives. Looking down the list, administration, finance and marketing skills, not surprisingly, helped a lot of executives find their way to the corner office.

Founders or cofounders run half these companies. So they tend to have respectable equity stakes. The median executive owns 5.6% of his company's shares, worth $7.5 million.

In the last fiscal year the median executive in this survey received a salary and bonus totaling just $276,200, while fringe benefits such as company contributions to a 401k plan, insurance and an automobile allowance added $11,600. Stock options kicked in another $151,000.

But around this median, the figures were all over the place. Measured by revenues, American List, with revenues of $9 million, was the smallest company in this year's survey, but its boss and founder, Martin Lerner, paid himself $821,000—9 cents on the revenue dollar.

By contrast, Stryker, a manufacturer of hospital supplies and surgical instruments, had 12-month revenues of $342 million and has a current market value of $1.3 billion; yet John W. Brown, Stryker's head, had total compensation of just $462,000.

Who made the most overall? Duane C. Montopoli, the chief executive of Chemical Fabrics, a New Hampshire-based manufacturer of specialty fabrics and flexible composite materials for use in extreme environments. Montopoli made $2.3 million last year, $2.1 million of which came from the exercise of stock options.

Indeed, the chief executives who made the most last year were those who exercised stock options.

The rebound in the stock market brought several of these companies into the public markets last year. Danek Group, Haemonetics, Koll Management Services and LXE all had initial public offerings in 1991. Executives commonly sell some of their shares in a new offering, but we didn't count that money as compensation; these people were simply cashing in some chips.

Best small-company bosses: highest paid . . .

Chief executive/company	Compensation (000)				Stock owned		Latest 12 mos ($mil)		Return on equity 5-yr avg
	salary + bonus	other	stock gains	total	%	mkt val* (000)	sales	profits	
Duane C Montopoli/Chemical Fabrics[1]	$205.3	—	$2,144.3	$2,349.6	0.06%	$59	$51	$5.8	17.0%
Ronald J Friedsam/Structural Dynamics Res	805.6	$4.0	1,239.0	2,048.6	0.05	276	140	16.4	16.1
Ron Pickard/Danek Group	—[2]	—	1,635.8	1,635.8	3.30	9,460	32	4.2	35.7
John G Rangos Sr/Chambers Development	1,548.0	2.0	—	1,550.0	27.65	524,354	281	39.0	15.8
Joel C Gordon/Surgical Care Affiliates	457.4	—	1,081.1	1,538.5	6.32	77,177	146	15.5	15.9
Albert L Nichols/Nichols Institute	457.0	—	1,042.7	1,499.7	19.42	33,523	200	7.5	10.4
Roe H Hatlen/Buffets	176.2	—	1,270.4	1,446.6	6.16	19,402	171	9.0	19.2
John F Gifford/Maxim Integrated Prods	400.0	—	922.5	1,322.5	2.22	5,031	74	10.1	16.1
S Robert Levine/Cabletron Systems	1,091.4	—	—	1,091.4	29.28	375,415	233	46.4	44.1
Edward H Arnold/Arnold Industries	1,020.2	—	—	1,020.2	28.94	120,973	163	22.6	21.7

*Includes all share classes. [1]Shareholders vote Oct. 31 on name change to ChemFab Corp. [2]Became chief executive 4/1/91. Salary data not available.

Compensation by school . . .

Undergraduate college	Median salary + bonus (000)
Brown	$383.5
Northeastern	371.2
Notre Dame	359.7
Wisconsin	342.5
Northwestern	314.0
Ohio State	295.1
Princeton	291.0
Harvard	288.2
Illinois	268.2
Auburn	244.4

Harvard had more small-company CEOs, but a Brown degree is more valuable.

. . . background . . .

Chief executive's background	Median salary + bonus (000)
Legal	$450.0
Retailing	432.8
Insurance	421.8
Marketing	340.9
Financial	316.4
Sales	307.5
Production	268.1
Technical	255.5
Operations	217.0
Administration	211.5

CEOs with law degrees make the most, but the surest way to the top is with a technical background.

. . . and industry

Industry	Median salary + bonus (000)
Restaurants	$437.7
Insurance	404.9
Food products	375.0
Pharmaceuticals	343.0
Software	343.0
Health care services	301.2
Computer equipment	300.9
Trucking	300.0
Telecommunications equip	298.0
Financial services	281.5

Run a restaurant chain, not an insurance company.

. . . lowest paid

Chief executive/company	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	mkt val* (000)	Latest 12 mos sales ($mil)	profits ($mil)	Return on equity 5-yr avg
Ben R Cohen/Ben & Jerry's Homemade	$83.4	$1.7	—	$85.1	22.30%	$18,650	$83	$2.9	14.9%
Donald Jonas/Lechters	60.0	34.0	—	94.0	35.21	112,755	205	10.4	19.0
Kathryn C Hach/Hach	88.8	9.6	—	98.4	41.14	69,661	76	6.5	13.9
Herman Jacobs/Allou Health & Beauty Care	103.0	—	—	103.0	11.39	1,948	96	1.1	16.3
James M Usdan/RehabCare	103.4	—	—	103.4	0.03[3]	18	42	2.9	26.0
Hsing (Morries) Y Liu/Liuski Intl	112.0	—	—	112.0	58.25	12,117	130	1.5	32.4
Patrizio Vinciarelli/Vicor	109.7	8.7	—	118.4	52.87	294,994	46	7.8	23.7
Robert A Kierlin/Fastenal	120.0	—	—	120.0	19.52	42,119	59	6.6	24.4
William Dean Wallace/Utah Medical Products	123.0	—	—	123.0	4.76	6,046	29	5.1	29.4
Richard W Krajicek/Serv-Tech	141.5	1.3	—	142.8	17.98	15,003	65	4.0	27.8

[3]Shares owned indirectly through Comprehensive Care, which owns 47.9% of the company.

It doesn't matter what a company does, as long as it can do it better than anyone else.

The best small company honor roll

By Steve Kichen

IN SOME WAYS the companies below have nothing in common. But in another important way they're very much alike: They're all highly successful niche players.

To make this year's honor roll, a company must have been on the Best Small Companies list at least four times in the last five years. FORBES required an average annual return on equity of at least 17% for the last five years and the latest 12 months. And latest 12-month earnings had to be up at least 5%.

We live in a diverse economy. Fastenal is in the mundane business of retailing screws, bolts, cutting tools and other building supplies. Little Tootsie Roll Industries thrives in the shadow of giant Mars ($9 billion, revenues) and Nestlé ($36 billion) by avoiding head-to-head competition in sheet chocolate products, focusing instead on chewy rolled chocolate derivatives and hard candy. "You produce in volume in your niche," says Melvin Gordon, Tootsie Roll's chairman and chief executive.

Both Fastenal and Tootsie Roll are appropriate reminders that a company doesn't have to be a dynamic start-up on the leading edge of biotechnology or supercomputers in order to be successful. Chicago-based Tootsie Roll, for example, was founded in 1896 by an Austrian immigrant who brought a formula for chewy rolled candy to the U.S.

Yet medical-product and software firms show up, too. Biomet, which has been on the honor roll three years in a row, is one of the top firms in the growing field of reconstructive joint and bone implants. Group 1 Software offers computer programs for managing large mailing lists.

The ability of these companies to exploit a niche hasn't gone unnoticed on Wall Street. A $10,000 investment made October 1986 in each of the 15 stocks below is now worth $598,000. That's an annual compounded gain of 30%, versus 10% for the S&P 500. ■

Great companies, great stocks

Company	Years on list[1]	Return on equity 5-year average	Return on equity latest 12 months	5-year growth sales	5-year growth EPS	Recent price	Value of $10,000 invested[2]	Chief executive
Biomet	6	21.4%	24.5%	227%	47%	38	$113,250	Dane A Miller
Boston Acoustics	5	22.3	22.4	30	26	20	41,316[3]	Francis L Reed
Diagnostic Prods	7	20.4	21.1	84	26	43	38,202	Sigi Ziering
Fastenal	4	24.4	27.7	59	45	23	40,147[3]	Robert A Kierlin
Franklin Resources	8	38.9	32.5	307	24	37	94,935	Charles B Johnson
Frontier Insurance Group	5	22.9	24.8	89	35	24	40,986	Walter A Rhulen
Group 1 Software	5	26.3	30.6	28	30	23	24,457[3]	Robert S Bowen
Heartland Express	5	25.5	25.9	69	26	36	35,750[3]	Russell A Gerdin
Intl Dairy Queen	5	33.1	33.1	285	23	16	21,818	Michael P Sullivan
Intertrans	7	17.9	21.3	147	23	22	21,639	Sam N Wilson
McGrath RentCorp	4	20.3	24.7	56	29	14	26,512	Robert P McGrath
Medicine Shoppe Intl	4	18.4	21.2	35	25	24	12,391	David A Abrahamson
Modern Controls	4	22.1	24.9	13	29	14	38,864	William N Mayer
Tootsie Roll Industries	6	18.2	18.4	198	17	58	31,209	Melvin J Gordon
Total System Services	4	22.6	27.7	107	24	28	16,667	Richard W Ussery
Total							$598,142	

[1]Since 1980. [2]On Oct. 10, 1986. [3]Company not public on Oct. 10, 1986. Hypothetical investment started Oct. 9, 1987.

Excluding dividends, a 1986 investment of $150,000 in this group of stocks would have grown to $598,000. Invested in the S&P 500, it would be worth $243,000 today.

The 200 Best Small Companies: overachievers in life and, sometimes, on Wall Street.

Reunion of the class of 1990

By Gilbert Steedley

INVESTORS WILL PAY a premium for good concepts, good management and solid growth.

For proof of this, look no further than last year's survey of the 200 Best Small Companies in America. As a group, they gained 75% in the last 12 months—easily outperforming the S&P 500 (up 24%) and the Nasdaq (up 58%). Small growth companies, of course, have been hot for much of the past year, but the Russell 2000 (an index of companies with market values between $15 million and $350 million) rose only 47%.

The star stock performer since last year is HealthCare Compare, up more than sixfold. The Chicago-based outfit, which helps corporations control their health care costs, is ranked 148 on this year's list. "Profit margins [at HealthCare Compare] have been rising faster than sales growth," says George Zagoudis, director of research at Barrington Research Associates, of the company's performance, "and that has investors paying a hefty premium."

Ben & Jerry's, the politically correct maker of artery-clogging ice cream—and low-fat frozen yogurts—has not only added ten new flavors during the last 52 weeks but also rewarded its investors with a 172% increase in stock price. The Waterbury, Vt. firm is one of 51 companies from last year's 200 Best list whose share price has at least doubled.

Absent from this year's list is FlightSafety International. This provider of aviation and maritime training simulators broke its streak of 11 consecutive appearances. Why? It failed to pass our test requiring earnings for the latest quarter to be higher than results from the year-ago quarter. During the past year FlightSafety stock fell 3%.

Only 88 outfits returned to this year's list. Integrated Systems, JLG Industries, Boole & Babbage and Southern Mineral were disqualified because they lost money over the last 12 months. Brinker International (formerly Chili's), Arbor Drugs and Watts Industries outgrew our sales cutoff of $350 million. And WeighTronix, a manufacturer of electronic scales, was acquired.

With the average small-capitalization stock holding a 34% gain since the start of the year and the equity markets at high multiples of earnings, a little caution is probably in order before you buy stock in any of this year's crop of standout small companies. But for serious long-term investors willing to do some homework and looking for investment ideas, the list that begins on page 268 is a great source of leads. ■

1990's winners

Company	Recent price	% change '90 to '91
HealthCare Compare	31¼	533%
Vicor	28	387
Group 1 Software	22½	329
Digi International	24	300
Vencor	31¾	297
Duty Free Intl	36¼	295
Value Merchants	33¼	280
Cisco Systems	40⅝	274
Medstat Systems	33¾	265
Concord Computing	26¾	257
Electronic Arts	27⅝	256
T2 Medical	29¾	245
Good Guys	25¾	240
Ballard Medical Products	37⅝	232
Lechters	38½	228
TriCare	17½	211
Cerner	21¾	211
Linear Technology	27⅜	196
Biomet	37¾	190
Solectron	25¼	189
BMC Software	53	185
MS Carriers	27¼	183
Structural Dynamics Research	23	175
Sullivan Dental Prods	27	174
Ben & Jerry's Homemade	32	172

1990's losers

Company	Recent price	% change '90 to '91
GZA GeoEnvironmental Tech	3⅜	-40%
Southern Mineral	3¼	-26
Gish Biomedical	8⅛	-24
Greenery Rehabilitation Group	5⅜	-20
Harding Associates	13	-20
Digital Microwave	9½	-19
Total System Services	27½	-19
UniCare Financial	10⅜	-13
SunGard Data Systems	14	-13
Mentor	11¾	-12
Digital Systems	9¾	-11
Nichols Institute	11¾	-11
Melamine Chemicals	7½	-10
Boole & Babbage	10	-9
Analysis & Technology	9	-8
JLG Industries	12	-6
Williams-Sonoma	14¼	-5
Caere	16¼	-4
Allwaste	5⅞	-4
FlightSafety Intl	39½	-3
Dycom Inds	8½	-3
Western Waste Inds	15½	-2
Luby's Cafeterias	16⅝	-1
Utilx	6⅜	0
BHA Group	13½	0

How we define best

Both growth investors like John Templeton and value players like Warren Buffett could probably find some interesting stocks below. While the 200 Best Small Companies in America must show consistent increases in sales, earnings and return on equity during the past five years, we also apply value criteria, including a requirement that long-term debt not exceed total stockholders' equity.

How did we pick the 200? We began with all publicly traded U.S.-based corporations with sales between $5 million and $350 million. Firms with declining sales and/or earnings were automatically screened out, as were stocks priced under $5. To ensure reasonable liquidity, we eliminated stocks with fewer than 1 million shares outstanding or average daily trading volume of under 1,000 shares. We also dropped limited partnerships, real estate investment trusts and banks. Raw data come from Los Angeles-based William O'Neil & Co., 1991 earnings estimates from the Institutional Brokers Estimate System.

Rank this year	Rank last year	Company/business	Return on equity 5-year average	Return on equity latest 12 mos	5-year EPS growth rate	Latest 12 mos sales ($mil)	Latest 12 mos profits ($mil)	Debt/ equity	Quick ratio[1]	Recent stock price	Market value[2] ($mil)	Latest 12 mos EPS	Latest 12 mos P/E	Est 1991 EPS
1	■	**Cambex** computer equip & software	100.0%*	86.4%	80%	$36	$5.3	1%	1.56	18	$62	$1.23	14.6	$1.31
2	■	**Koll Management Svcs** real estate management	87.4	127.2	31	24	2.4	0	NA	13	42	0.89	14.3	NA
3	■	**Sierra Tucson Cos** substance abuse rehab cntrs	70.1	28.9	93	37	7.7	31	NA	28	225	1.08	25.6	1.26
4	■	**Matrix Services** oil refining maint	44.7	12.6	93	98	6.5	6	3.85	26	240	0.79	32.6	0.95
5	2	**Cabletron Systems** computer network equip & svcs	44.1	33.1	149	233	46.4	0	7.03	46	1,282	1.70	27.1	1.96
6	7	**Adobe Systems** computer software	44.0	46.8	69	220	50.5	0	2.84	49	1,043	2.23	22.0	2.29
7	■	**State Of The Art** PC accounting software	43.6	42.5	69	17	3.3	5	3.13	9	85	0.40	23.1	0.54
8	■	**Advanced Logic Research** PCs	43.2	24.1	116	213	13.1	22	1.78	12	135	1.28	9.5	1.40
9	6	**Landauer** radiation monitoring svcs	40.5	41.4	18	27	7.3	0	1.78	32	133	1.71	18.4	1.75
10	■	**Tseng Labs** graphics cards for PCs	39.6	48.7	97	54	8.8	0	3.92	9	156	0.47	18.1	0.56
11	3	**BMC Software** computer software	39.1	29.3	59	143	29.4	0	NA	53	1,339	1.16	45.7	1.70
12	12	**Lindsay Manufacturing** electrical irrigation sys	39.0	37.0	88	99	8.9	0	1.30	25	115	1.91	13.0	1.89
13	4	**Franklin Resources** fund management	38.9	32.5	24	307	93.8	1	NA	37	1,447	2.39	15.5	2.48
14	13	**American Power Conversion** uninterruptible power sup equip	38.2	44.9	80	72	11.5	12	1.79	31	326	1.04	29.6	1.17
15	5	**Digi Intl** data comm equip & software	37.9	35.8	107	36	7.3	0	16.40	24	191	0.88	27.3	0.94
16	139	**Nellcor** patient-monitoring instruments	36.1	80.5	11	159	17.2	0	3.16	22	333	1.11	19.6	1.52[3]

Stock prices as of Oct. 11. ■ Not on last year's list. *Figure greater than 100%. NA: Not available or not applicable. [1]Current assets less inventories divided by current liabilities. [2]Includes all share classes. [3]1992 estimate.

Sources: William O'Neil & Co.; Institutional Brokers Estimate System, a service of IBES, via Lotus One Source.

Rank this year	Rank last year	Company/business	Return on equity 5-year average	Return on equity latest 12 mos	5-year EPS growth rate	Latest 12 mos sales ($mil)	Latest 12 mos profits ($mil)	Debt/ equity	Quick ratio[1]	Recent stock price	Market value[2] ($mil)	Latest 12 mos EPS	Latest 12 mos P/E	Est 1991 EPS
17	■	**Danek Group** spinal implant devices	35.7%	59.6%	124%	$32	$4.2	7%	1.26	34	$287	$0.54	62.5	$0.71
18	■	**Jean Philippe Fragrances** mkts clones of designer frag	35.6	28.3	22	10	1.0	0	2.39	6	19	0.32	19.2	NA
19	15	**Cisco Systems** computer network equip	33.8	62.4	243	183	43.2	0	5.63	41	1,131	1.38	29.4	2.34[3]
20	■	**Handex Environ Recovery** oil tank pollution cntrl svcs	33.4	19.2	59	44	6.6	10	5.65	33	227	0.96	34.6	1.07
21	■	**Pharmacy Management Svcs** health cost containment svcs	33.3	8.4	50	73	2.4	0	5.26	8	72	0.28	29.5	0.31
22	11	**Intl Dairy Queen** fast-food restaurants	33.1	33.1	23	285	27.6	50	1.70	16	422	1.04	15.4	1.08
23	9	**Sullivan Dental Prods** dental supplies & equip	32.6	18.0	69	59	2.8	0	2.16	27	143	0.52	51.9	0.60
24	■	**Liuski Intl** distrib, mfg PC equip	32.4	39.2	43	130	1.5	69	0.54	7	21	0.72	9.0	NA
25	■	**Neutrogena** specialty soaps	30.5	21.8	15	226	19.7	0	1.71	24	626	0.74	32.1	0.80
26	57	**Utah Medical Products** critical care medical prods	29.4	44.5	83	29	5.1	0	2.28	17	127	0.65	26.0	0.69
27	37	**Ballard Med Prods** disposable medical prods	28.6	40.0	71	36	8.2	0	4.26	38	468	0.64	58.8	0.70
28	■	**Pentech Intl** writing instruments	28.2	33.6	63	33	4.3	0	1.90	9	101	0.36	25.4	0.38
29	■	**Spartan Motors** specialized heavy duty trucks	28.2	45.1	38	65	3.9	28	0.69	20	158	0.55	35.9	0.70
30	■	**Capitol Transamerica** insurance	28.1	26.6	46	33	9.1	0	NA	21	85	2.16	9.7	2.31
31	■	**Penril Datacomm Networks** test & data comm equip	28.0	50.1	31	53	6.9	42	1.87	8	40	1.01	8.2	0.05[3]
32	■	**Serv-Tech** maintains oil & chem plants	27.8	17.5	64	65	4.0	1	NA	15	83	0.89	16.4	1.04
33	■	**Rainbow Technologies** computer security prods	27.6	35.6	71	16	2.4	0	11.09	15	74	0.60	25.6	0.75
34	52	**Concord Computing** transactional equip & svcs	27.1	38.2	88	45	7.0	2	1.70	27	276	0.64	41.8	0.67
35	20	**Kaydon** bearings, filtration prods	26.8	22.9	24	163	26.0	20	1.50	41	356	3.07	13.4	3.07
36	31	**CSS Industries** paper prods, containers	26.5	24.1	59	165	18.5	15	2.97	31	164	3.33	9.4	3.37
37	24	**Group 1 Software** marketing & mailing software	26.3	30.6	30	28	3.9	3	NA	23	94	0.93	24.2	NA
38	16	**American List** student mailing lists	26.2	35.7	22	9	3.2	0	NA	19	53	1.17	16.5	NA
39	■	**Plains Petroleum** oil & gas expl, develop & prod	26.0	25.4	42	56	18.6	4	1.59	34	331	1.93	17.6	1.95

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40	■	**RehabCare** devel & manages rehab clinics	26.0%	49.6%	55%	$42	$2.9	0%	NA	12	$55	$0.69	16.7	$0.77
41	■	**Vital Signs** anesthesia & respiratory prods	25.9	24.6	41	45	7.0	27	6.67	18	200	0.67	26.9	0.72
42	34	**Autodesk** CAD software	25.5	27.9	43	267	60.8	0	4.04	47	1,161	2.44	19.4	2.67
43	23	**Heartland Express** trucking	25.5	25.9	26	69	8.2	0	NA	36	179	1.64	21.8	1.74
44	117	**BGS Systems** computer software	25.4	41.4	98	23	5.5	0	NA	34	110	1.74	19.7	1.87
45	50	**St Jude Medical** mechanical heart valves	25.0	28.8	49	191	73.3	0	9.38	50	2,331	1.53	32.4	1.77
46	43	**Acuson** ultrasound medical instruments	24.6	26.6	53	310	53.2	0	3.62	34	1,183	1.46	23.0	1.59
47	26	**Home Nutritional Svcs** home-based intravenous therapy	24.5	18.9	43	90	10.0	2	7.42	22	254	0.85	25.6	0.95
48	41	**Fastenal** retails fasteners	24.4	27.7	45	59	6.6	3	3.44	23	216	0.68	33.5	0.76
49	■	**ConferTech International** teleconferencing equip & svcs	24.3	35.5	58	18	1.3	68	1.86	5	26	0.32	15.6	0.21
50	■	**Aldus** computer software	23.9	24.2	60	161	28.0	0	5.04	38	541	1.86	20.3	1.95
51	■	**Allstate Financial** financial services	23.8	21.6	40	10	2.1	13	NA	13	26	1.05	12.1	1.18
52	126	**Vicor** electric power systems	23.7	47.4	68	46	7.8	13	1.14	28	558	0.41	68.3	0.53
53	■	**SEI** info svcs for money managers	23.5	25.0	11	178	13.3	0	1.49	27	285	1.16	22.8	1.30
54	■	**Lawter Intl** printing inks & resins	23.4	23.7	14	150	24.9	5	3.32	15	483	0.77	19.3	0.82
55	■	**OI** precision instruments	23.4	31.7	72	17	1.6	9	1.61	10	34	0.45	22.8	0.48
56	■	**Nature's Sunshine Prods** nutritional & personal care prods	23.2	25.3	48	65	4.2	0	1.93	16	86	0.74	20.9	NA
57	46	**Frontier Insurance Group** specialty prop & casualty ins	22.9	24.8	35	89	12.3	0	NA	24	150	2.48	9.8	2.54
58	■	**Haemonetics** blood reinfusion equip	22.7	21.6	32	163	14.6	21	1.16	26	364	1.05	24.9	1.18
59	53	**Total System Services** bank card data processing svcs	22.6	27.7	24	107	14.1	0	2.88	28	437	0.89	30.9	0.92
60	51	**Boston Acoustics** audio speaker systems	22.3	22.4	26	30	4.3	0	6.38	20	82	1.04	18.9	1.21
61	68	**Bridgford Foods** frozen & snack food prods	22.2	32.1	44	92	4.3	0	1.36	22	138	0.70	31.4	0.72
62	35	**Respironics** respiratory medical prods	22.2	36.4	26	36	3.8	34	1.36	25	97	1.03	24.0	1.50[3]

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63	65	**Modern Controls** test instruments	22.1%	24.9%	29%	$13	$2.7	0%	6.63	14	$67	$0.54	26.4	$0.60
64	40	**Sealright** food & dairy packaging	22.0	20.5	20	234	15.8	57	1.02	24	265	1.43	16.8	1.49
65	■	**Arnold Industries** trucking	21.7	22.5	21	163	22.6	2	NA	32	418	1.73	18.5	1.79
66	27	**Goal Systems** data center management	21.6	20.6	20	125	14.4	13	NA	13	241	0.74	17.2	0.89
67	■	**Tetra Technologies** waste recyc & treatment svcs	21.5	16.7	67	71	7.6	15	3.48	15	185	0.66	22.7	0.69
68	74	**Biomet** medical implant devices	21.4	24.5	47	227	42.4	0	3.30	38	2,121	0.76	49.7	0.91
69	67	**Electronic Arts** computer games	21.4	21.9	35	109	9.6	0	2.52	28	264	0.95	29.1	1.17
70	63	**Keane** computer svcs & systems	21.4	19.8	78	94	5.9	0	NA	19	90	1.22	15.7	1.31
71	■	**Kentucky Medical Ins** medical liability insurance	21.3	26.0	43	20	4.3	0	NA	11	20	2.39	4.4	1.91
72	■	**Datafiex** retails PCs	21.0	24.1	50	94	4.7	0	1.43	16	56	1.36	11.6	1.44
73	■	**MedChem Prods** medical prods	20.9	28.1	19	18	5.2	51	1.58	18	116	1.01	17.6	0.94
74	■	**Cognex** machine vision equip	20.6	33.5	105	27	8.0	0	6.24	60	250	1.82	33.1	2.09
75	71	**Diagnostic Prods** medical diagnostic kits	20.4	21.1	26	84	18.4	0	2.82	43	518	1.43	29.7	1.62
76	92	**CPAC** photo chems & silver recovery	20.3	21.2	41	29	1.7	29	1.29	9	21	0.74	12.2	NA
77	84	**McGrath RentCorp** sells & leases modular offices	20.3	24.7	29	56	10.2	0	NA	14	119	1.32	10.8	1.35
78	72	**Intl Recovery** plane refueling, waste recov	20.0	19.2	72	229	5.0	32	2.07	18	84	1.06	17.1	1.30
79	■	**AirTran** commuter airline	19.8	29.1	35	93	4.8	58	0.85	12	46	1.23	10.0	1.23
80	■	**Paychex** payroll accounting svcs	19.8	18.6	16	142	10.2	4	NA	28	366	0.78	35.9	0.97
81	8	**T2 Medical** home care infusion therapy	19.6	18.6	47	111	23.7	9	6.34	30	925	0.79	37.7	0.94
82	99	**Sbarro** Italian restaurants	19.3	23.8	39	199	22.3	0	1.69	38	508	1.65	22.9	1.84
83	110	**Buffets** buffet restaurants	19.2	23.9	43	171	9.0	11	0.41	33	315	0.93	35.4	1.06
84	■	**LXE** transac processing comm equip	19.2	26.2	23	32	2.3	0	2.88	18	92	0.50	35.3	0.63
85	64	**Mestek** climate cntrl equip, env svcs	19.2	18.7	16	211	10.8	18	1.68	11	84	1.15	9.5	NA

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86	79	**Lechters** specialty retail	19.0%	15.4%	27%	$205	$10.4	22%	0.78	$39	$320	$1.44	26.7	$1.65
87	86	**Medstat Systems** software for health care ind	19.0	23.0	32	16	1.8	12	NA	34	89	0.62	54.4	0.66
88	137	**Solectron** printed circuit boards	19.0	25.6	40	265	9.2	35	1.02	25	167	1.40	18.0	1.34
89	104	**Gainsco** property & casualty insurance	18.8	22.8	29	51	7.7	0	NA	12	115	0.77	14.9	0.81
90	■	**Mail Boxes Etc** private postal & business svcs	18.6	14.4	24	32	4.1	0	5.71	25	144	0.74	34.1	0.97
91	■	**Seitel** mkts seismic data to oil cos	18.6	23.5	40	28	5.8	30	1.28	13	65	1.16	10.9	1.27
92	103	**Medicine Shoppe Intl** franchised pharmacies	18.4	21.2	25	35	10.0	0	NA	24	194	1.24	19.2	1.29
93	■	**Techne** clinical diagnostic equip	18.4	35.5	53	19	1.6	16	2.04	10	80	0.18	53.5	0.20[3]
94	102	**TriCare** health care eval svcs	18.4	19.6	48	40	2.7	1	NA	18	83	0.67	26.1	0.79
95	■	**X-Rite** quality control instruments	18.4	17.4	14	26	4.1	0	7.60	19	96	0.79	23.4	0.88
96	90	**Tootsie Roll Industries** candy	18.2	18.4	17	198	23.9	0	2.44	58	575	2.47	23.4	2.55
97	■	**Energy Ventures Inc** oilfield equip & svcs	18.1	41.3	128	172	31.6	10	1.15	16	193	3.08	5.2	0.79
98	■	**American Fructose** high fructose corn syrup	18.0	19.1	28	206	22.6	25	5.09	21	185	2.47	8.4	2.60
99	118	**Intertrans** intl freight forwarding	17.9	21.3	23	147	6.4	0	1.64	22	108	1.20	18.3	1.25
100	77	**Duty Free Intl** duty free retail stores	17.7	18.5	40	145	18.5	11	5.21	36	798	0.86	42.2	1.01
101	■	**Offshore Logistics** transport svcs for oilfield ind	17.7	25.6	57	95	17.0	37	2.06	8	140	0.97	8.2	1.26[3]
102	85	**Vencor** hospitals for chronically ill	17.3	21.7	65	104	6.6	42	2.62	32	396	0.59	53.8	0.73
103	■	**Chemical Fabrics**[4] specialized fabrics	17.0	27.4	73	51	5.8	12	1.45	20	96	1.13	17.5	1.26[3]
104	■	**Dreyer's Grand Ice Cream** ice cream	16.9	14.8	26	333	13.9	23	0.92	27	400	0.94	28.2	1.04
105	80	**Value Merchants** wholesales closeout toys	16.9	13.7	18	176	6.1	1	0.31	33	240	1.02	32.6	1.42
106	■	**Cannon Express** trucking	16.8	26.0	34	27	2.0	94	NA	18	29	1.20	14.8	1.46[3]
107	164	**Micro Healthsystems** software for health care ind	16.8	31.3	102	11	2.2	0	4.71	14	62	0.50	28.3	0.80
108	115	**Stryker** powered surgical instruments	16.8	19.5	23	342	28.8	1	2.00	27	1,283	0.62	43.5	0.64

Stock prices as of Oct. 11. ■ Not on last year's list. NA: Not available or not applicable. [1]Current assets less inventories divided by current liabilities.
[2]Includes all share classes. [3]1992 estimate. [4]Shareholders vote Oct. 31 on name change to ChemFab Corp.
Sources: William O'Neil & Co.; Institutional Brokers Estimate System, a service of IBES, via Lotus One Source.

Rank this year	Rank last year	Company/business	Return on equity 5-year average	Return on equity latest 12 mos	5-year EPS growth rate	Latest 12 mos sales ($mil)	Latest 12 mos profits ($mil)	Debt/ equity	Quick ratio[1]	Recent stock price	Market value[2] ($mil)	Latest 12 mos EPS	Latest 12 mos P/E	Est 1991 EPS
109	■	**Insituform Mid-America** pipe, sewer & conduit repair	16.6%	33.6%	35%	$48	$5.1	3%	1.44	$12	$96	$0.68	17.6	$0.71
110	■	**Allou Health & Beauty Care** health & cosmetic prod distrib	16.3	12.2	25	96	1.1	1	0.50	7	17	0.43	15.4	0.75
111	■	**Altera** semiconductors	16.3	24.4	54	91	14.9	0	2.85	23	454	0.74	31.4	0.85
112	185	**Linear Technology** integrated circuits	16.2	18.9	55	94	17.0	7	3.92	27	457	0.96	28.5	1.43[3]
113	173	**Raven Industries** electron, plastics, sewn prods	16.2	18.2	22	90	4.8	18	1.12	18	55	1.53	11.7	1.70
114	■	**Dionex** chemical analysis equip	16.1	16.6	15	89	14.2	0	3.37	26	209	1.69	15.2	2.25[3]
115	157	**Maxim Integrated Prods** integrated circuits	16.1	26.9	87	74	10.1	13	0.97	18	227	0.74	24.5	1.19[3]
116	158	**Structural Dynamics Res** CAE software & svcs	16.1	24.0	46	140	16.4	4	NA	23	610	0.59	39.0	0.61
117	146	**Utilx** cable & pipe installer	16.1	20.4	30	49	5.5	9	3.12	6	43	0.74	8.6	0.75
118	153	**Raymond James Financial** securities brokerage	15.9	25.1	27	275	24.2	14	1.04	25	226	2.59	9.5	2.60
119	■	**Surgical Care Affiliates** outpatient surgical centers	15.9	29.4	108	146	15.5	70	2.46	36	1,222	0.43	NM	0.55
120	131	**American Management Sys** management & tech consulting	15.8	18.7	15	279	13.3	17	NA	22	216	1.16	18.5	1.18
121	133	**Chambers Development** waste mgmt, security svcs	15.8	17.7	43	281	39.0	85	2.77	28	1,896	0.71	39.8	0.84
122	108	**Nichols Research** technical svcs for defense	15.7	19.9	19	88	4.4	0	NA	9	51	0.90	10.3	0.90
123	■	**SPI Pharmaceuticals** pharmaceuticals	15.7	23.2	20	226	22.2	12	1.40	23	358	1.37	16.5	NA
124	■	**Alfa Corp** insurance	15.6	16.4	14	224	26.4	0	NA	11	219	1.28	8.4	1.22
125	■	**Geraghty & Miller** ground water resource mgmt	15.5	16.0	33	80	4.1	2	NA	17	97	0.71	23.9	0.82
126	■	**Tekelec** communications test equip	15.5	18.3	41	50	5.6	2	4.48	16	65	1.31	12.5	1.32
127	■	**Duriron** chemical process equip	15.3	17.4	59	298	21.6	22	1.62	21	257	1.72	11.9	1.74
128	194	**Frederick's of Hollywood** retail & mail order apparel	15.3	23.1	91	112	5.0	5	0.55	9	80	0.59	15.7	NA
129	121	**Werner Enterprises** trucking	15.2	14.5	16	316	18.1	27	NA	27	304	1.59	16.8	1.67
130	■	**ILC Technology** laser & fiber optics equip	15.0	39.4	38	38	4.0	0	1.55	14	59	0.88	15.9	0.95
131	150	**Ben & Jerry's Homemade** ice cream & franchise stores	14.9	21.9	24	83	2.9	70	0.77	32	84	1.13	28.3	1.22

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Rank this year	Rank last year	Company/business	Return on equity 5-year average	Return on equity latest 12 mos	5-year EPS growth rate	Latest 12 mos sales ($mil)	Latest 12 mos profits ($mil)	Debt/ equity	Quick ratio[1]	Recent stock price	Market value[2] ($mil)	Latest 12 mos EPS	Latest 12 mos P/E	Est 1991 EPS
132	■	**Emcon** waste mgmnt engnrg & consltng	14.8%	18.3%	42%	$63	$5.4	0%	NA	$19	$131	$0.80	24.1	$0.86
133	■	**Cabot Medical** female reprod health equip	14.7	20.9	24	38	2.4	8	1.50	12	86	0.32	37.5	0.39
134	■	**CR Gibson** gift & stationery prods	14.5	21.3	22	63	3.3	100	1.93	10	64	0.48	19.9	NA
135	140	**Spaghetti Warehouse** Italian restaurants	14.5	8.9	34	43	4.2	0	3.96	23	138	0.80	28.8	1.15[3]
136	152	**Hooper Holmes** health info & health care svcs	14.3	18.7	17	123	3.2	19	NA	15	65	1.04	14.7	1.08
137	■	**Moorco Intl** fluid meters and valves	14.3	18.0	52	176	12.8	4	0.79	18	215	1.24	14.3	1.32
138	143	**Geodynamics** defense & intell software	14.1	13.6	12	62	3.8	0	NA	12	33	1.36	8.8	1.50
139	190	**A&W Brands** soft drinks	14.0	18.7	79	118	13.0	32	0.75	28	254	1.43	19.4	1.57
140	■	**Gundle Environmental Sys** liners for hazard waste cntrl	14.0	14.5	68	134	6.5	83	2.12	17	184	0.68	25.6	0.81
141	■	**Rexon** computer equip	14.0	12.8	22	181	9.9	3	1.10	7	66	1.03	6.9	1.18
142	■	**Hach** water analysis equip & chems	13.9	16.1	32	76	6.5	2	1.78	28	169	1.07	26.2	NA
143	■	**American Precision Inds** industrial & electrical equip	13.7	14.1	45	51	3.9	16	2.95	7	51	0.57	12.3	0.50
144	183	**Cracker Barrel Old Ctry Str** restaurants & gift shops	13.7	22.9	39	300	22.9	16	0.25	33	772	1.00	32.5	1.47[3]
145	■	**Isco** precision instruments	13.6	14.8	15	37	4.1	0	5.43	15	72	0.87	17.5	1.22[3]
146	179	**Fiserv** computer services for banks	13.4	15.6	26	213	15.5	38	NA	34	499	1.17	29.1	1.27
147	■	**Artistic Greetings** mail order stationery	13.3	21.7	44	54	2.8	0	2.05	14	78	0.49	28.1	0.57
148	127	**HealthCare Compare** health ind finl & mgmt svcs	13.3	19.9	42	56	8.6	0	NA	31	732	0.33	NM	0.45
149	122	**EnClean** ind & environ cleaning svcs	13.2	15.2	40	100	4.3	39	1.42	16	83	0.80	19.7	1.22[3]
150	■	**P Leiner Nutritional Prods** vitamins & nutritional supls	13.1	13.8	12	136	5.7	18	1.01	13	70	1.08	12.3	1.25
151	184	**Forest Labs** pharmaceuticals	13.0	15.3	26	201	40.4	9	2.81	31	1,196	0.95	32.6	1.13
152	■	**Merchants Group** insurance	13.0	12.9	14	101	6.0	0	NA	13	26	2.75	4.7	2.57
153	■	**Sun Television & Appl** retails consumer electronics	13.0	18.1	24	226	4.5	89	0.65	13	82	0.86	14.7	0.85
154	180	**MBIA** municipal bond insurer	12.9	13.8	20	240	128.4	21	NA	40	1,528	3.32	12.0	3.64

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155	177	**Colonial Cos** insurance	12.7%	15.0%	14%	$337	$38.0	1%	0.21	$28	$423	$2.52	11.0	$2.43
156	■	**Frozen Food Express Inds** trucking perishable commods	12.7	13.5	20	174	4.0	64	1.66	13	55	0.90	14.2	1.07
157	■	**J&J Snack Foods** snack foods & beverages	12.7	10.0	13	107	5.1	12	0.97	13	138	0.60	21.7	0.68
158	■	**Diagnostek** pharmacy mail svc	12.6	15.7	98	250	8.8	66	2.06	23	434	0.44	51.4	0.74
159	123	**Thermo Instrument Sys** pollution detect equip	12.6	11.6	16	340	21.4	35	0.99	24	650	0.82	29.1	0.93
160	■	**Astro-Med** high speed printers	12.5	14.8	27	30	2.6	8	2.53	16	52	0.78	20.8	1.02
161	■	**Computer Data Sys** data processing svcs	12.4	15.2	14	133	3.5	48	NA	10	27	1.30	7.7	NA
162	■	**Mylex** PC motherboards & expan cards	12.4	37.3	35	56	4.3	12	0.91	5	58	0.36	14.3	0.40
163	186	**OEA** airbag propellants & equip	12.4	15.8	17	84	11.1	1	3.79	52	349	1.65	31.4	1.75
164	■	**AL Laboratories** pharm, animal health prods	12.2	13.5	19	283	15.0	91	0.91	18	305	0.90	20.0	0.91
165	■	**Tranzonic Cos** personal care & household prods	12.2	12.5	15	108	4.9	1	1.91	17	58	1.39	12.0	NA
166	■	**Laser Precision Corp** precision instruments	12.1	18.1	34	25	2.5	3	1.10	9	38	0.57	16.5	0.65
167	■	**Span America Medical Sys** foam pads for health care	12.1	16.2	35	29	1.5	25	1.86	5	18	0.44	12.2	NA
168	■	**Cypress Semiconductor** semiconductors	11.9	14.6	44	263	35.5	2	3.07	19	706	0.91	21.0	1.03
169	181	**Ecology and Environment** environ consulting & testing	11.9	17.2	19	87	5.3	3	NA	16	64	1.35	12.0	1.35
170	175	**Kent Electronics** distrib electronic prods	11.9	17.0	25	75	4.0	3	2.29	16	90	0.96	16.8	1.03
171	■	**Symix Systems** financial mgmt software	11.9	82.4	52	20	1.8	1	NA	15	37	0.73	20.5	0.97[3]
172	■	**Cohu** electronics	11.4	12.8	35	48	2.7	0	2.44	11	22	1.31	8.4	NA
173	■	**Psicor** heart surgery equip & svcs	11.4	14.5	13	66	2.7	19	1.56	14	58	0.65	21.9	0.70
174	191	**Vertex Communications** ground station satel antennas	11.4	14.5	17	42	2.3	6	1.57	8	25	0.68	11.2	0.70
175	■	**Empi** physical therapy equip	11.2	24.1	55	18	1.2	54	2.87	16	45	0.38	42.1	0.43
176	■	**Osmonics** filtration equip	11.2	15.9	61	46	3.9	56	1.56	19	113	0.65	29.0	0.69
177	■	**NAC Re** prop & casualty reinsurance	11.1	14.4	52	277	29.2	26	NA	23	347	1.84	12.2	1.89

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178	■	**Magma Power** geothermal energy	10.9%	16.7%	75%	$91	$32.2	50%	NA	$27	$610	$1.41	18.9	$1.56
179	■	**Research Inds** disposable cardiovascular prods	10.7	14.9	69	12	2.5	0	6.79	24	142	0.41	58.5	0.90[3]
180	■	**Kirby** barge trans, diesel repair, ins	10.6	15.3	45	186	14.8	70	0.86	16	345	0.67	23.7	0.75
181	192	**Nichols Institute** clinical testing svcs	10.4	9.8	54	200	7.5	44	2.30	12	173	0.50	23.5	0.61
182	■	**SCOR US** property & casualty reinsur	10.4	13.1	19	226	29.6	0	NA	15	273	1.65	9.2	1.72
183	■	**Michael Baker** engineering svcs	10.3	10.7	15	148	3.4	6	1.79	20	57	1.16	16.9	1.07
184	■	**Cordis** medical equip	10.2	27.8	87	199	19.3	45	1.34	40	542	1.38	28.6	2.07[3]
185	■	**State Auto Financial** auto & homeowner insurance	10.2	13.2	23	112	8.6	0	NA	15	88	2.15	7.0	1.71
186	■	**Trenwick Group** property & casualty reinsur	10.2	12.8	71	120	17.9	14	NA	26	165	2.68	9.5	2.72
187	■	**Allied Group** insurance	10.0	17.1	9	331	15.3	0	0.20	19	80	2.48	7.7	1.83
188	■	**Grist Mill** grain based cereals & snacks	9.9	9.9	51	61	1.9	59	1.31	6	28	0.41	15.6	0.62
189	■	**Kasler** industrial construction	9.8	24.9	32	187	5.0	56	1.40	9	90	0.56	16.1	0.56
190	■	**VeriFone** transaction automation sys	9.8	11.1	90	166	13.2	1	4.06	19	426	0.58	33.2	0.80
191	■	**Methode Electronics** electronic equip	9.5	13.3	12	151	8.3	1	1.64	11	122	0.74	14.5	0.86
192	■	**PDA Engineering** mechanical eng software	9.5	16.1	32	36	2.9	0	NA	10	42	0.62	16.5	0.74[3]
193	■	**Landmark Graphics** computerized oil explor equip	9.4	16.3	49	90	9.8	0	5.72	24	239	0.94	25.0	1.80[3]
194	■	**Comptek Research** defense hardware & software	9.3	11.8	18	55	1.6	0	2.43	12	23	0.79	14.6	0.81
195	■	**Micros Systems** transaction processing equip	9.2	20.8	135	40	3.3	13	1.87	7	51	0.44	15.9	NA
196	■	**California Microwave** commun & telecomm equip	9.0	11.9	52	177	8.0	3	1.33	22	186	0.93	23.7	1.12[3]
197	■	**Sensormatic Electronics** electronic surveillance equip	9.0	13.0	16	254	26.0	10	4.07	25	670	0.94	26.6	1.09
198	■	**Mid-American Waste Sys** solid waste disposal svcs	8.9	11.5	120	94	12.7	60	1.58	21	416	0.73	28.9	0.84
199	■	**Cosmetic Center** distributes cosmetics	8.7	13.1	12	84	1.8	4	0.13	10	32	0.58	17.7	NA
200	■	**Geonex** mapping & site analysis	8.0	14.5	49	63	2.0	89	0.99	10	41	0.56	17.4	0.55

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Little companies, big rewards

Being the boss of one of the 200 Best Small Companies in America doesn't necessarily mean that you get a small paycheck. The median executive on the list earned $314,200 in salary, bonus, stock option gains and fringe benefits (listed as "other" in our table). In contrast, the median compensation for a chief executive of a Forbes 500s company (FORBES, *May 27*) was $1,592,000. This year's rally in small-cap stocks certainly helped boost the small companies' compensation figures: It probably encouraged many of these chief executives to exercise stock options.

The stock gains column reflects only those options exercised by the chief executive during the latest fiscal year.

Share ownership is based on beneficial ownership, including shares owned by a spouse or minor children. Excluded are shares belonging to charities, foundations or people not in the immediate family.

Except where noted, compensation is for the company's most recent fiscal year.

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	Stock owned mkt val* (000)
M L Lowenkron **A&W Brands**	60	11	11			$513.0	—	—	$513.0	3.37%	$8,547
Samuel H Maslak **Acuson**	43	10	10	MIT MIT	BS PhD	600.0	—	—	600.0	5.45	64,549
John E Warnock **Adobe Systems**	51	9	9	Utah Utah	BS PhD	378.6	—	—	378.6	3.66	38,151
Gene Lu **Advanced Logic Research**	37	7	7	Cal State Polytech	BSEE	236.2	—	—	236.2	13.81	18,655
Robert D Swenson **AirTran**	37	13	13	Dartmouth	BA	211.5	—	—	211.5	5.25	2,388
Jeffrey E Smith **AL Laboratories**	44	7	—†	Fairleigh Dickinson	BS	274.6	—	—	274.6[1]	—[2]	—[2]
Paul Brainerd **Aldus**	43	7	7	Oregon Minnesota	BA MA	341.0	—	—	341.0	21.93	118,629
Goodwin L Myrick **Alfa Corp**	66	23	13			211.2	$0.4	—	211.6[3]	50.86	111,499
John E Evans **Allied Group**	64	41	27	U of Iowa	BSC	727.8	18.8	—	746.6	1.75	1,402
Herman Jacobs **Allou Health & Beauty Care**	33	6	6			103.0	—	—	103.0	11.39	1,948
Leon Fishman **Allstate Financial**	60	9	3			340.6	—	—	340.6	22.41	5,786
Rodney Smith **Altera**	51	8	8	Southampton	BSEE	245.5	—	—	245.5	2.92	13,253
William Ziegler III **American Fructose**	63	41	16	Harvard Columbia	BA MBA	678.2	11.1	$142.0	831.3[4]	26.64[5]	49,388
Martin Lerner **American List**	58	26	26	Polytechnic Inst	BS	791.0	30.0	—	821.0	9.91	5,269
Charles O Rossotti **American Management Sys**	50	21	9	Georgetown Harvard	BA MBA	590.0	—	—	590.0	9.40	20,328
Roger B Dowdell Jr **American Power Conversion**	42	6	6	Brown Rhode Island	BS MS	391.8	—	—	391.8	12.31	40,104

Stock prices as of Oct. 11 *Includes all share classes. †Less than one year. [1]Compensation data for position of vice president of finance and chief financial officer. [2]Became chief executive July 1991. Stock holdings not available. [3]Executive officers are paid by Alfa Mutual Insurance Co. under a management service contract. [4]Chief executive compensated by American Maize-Products. [5]Includes shares owned indirectly through American Maize-Products, which owns 47.9% of American Fructose.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	Stock owned mkt val* (000)
Robert J Fierle **American Precision Inds**	69	45	45	Northwestern	BSME	$263.0	$2.0	—	$265.0	19.64%	$10,081
Edward H Arnold **Arnold Industries**	52	26	20	Notre Dame	BS	1,020.2	—	—	1,020.2	28.94	120,973
Stuart Komer **Artistic Greetings**	65	35	25	Ohio State	BS	374.4	102.5	$51.6	528.5	12.87	10,003
Albert W Ondis **Astro-Med**	65	20	20	Boston U	BA	201.7	—	—	201.7	32.95	17,032
Alvar J Green **Autodesk**	45	7	5	Eastern Michigan U	BBA	376.5	5.7	—	382.2	—[3]	14
Richard L Shaw **Michael Baker**	64	40	6	Pittsburgh	BS	261.8	6.9	—	268.7	1.10	630
Dale H Ballard **Ballard Med Prods**	68	13	13	Utah	BS	174.3	—	—	174.3	12.57	58,774
Ben R Cohen **Ben & Jerry's Homemade**	40	13	13			83.4	1.7	—	85.1	22.30	18,650
Harold S Schwenk Jr **BGS Systems**	50	15	15	Brown Harvard	BS PhD	252.0	1.6	—	253.6	19.07	21,002
Dane A Miller **Biomet**	45	14	14	GMI Inst Cincinnati	BS PhD	309.8	—	—	309.8	4.95	105,043
Max P Watson Jr **BMC Software**	45	6	2	Louisiana Tech	BBA	706.7	—	—	706.7[1]	0.73	9,752
Francis L Reed **Boston Acoustics**	58	12	12	Boston C	BA	264.3	—	—	264.3	15.90	13,025
Allan L Bridgford **Bridgford Foods**	56	34	16	Stanford	BA	104.0	247.5	—	351.5	16.72	23,052
Roe H Hatlen **Buffets**	48	8	8	Pacific Lutheran U Oregon	BA MBA	176.2	—	1,270.4	1,446.6	6.16	19,402
S Robert Levine **Cabletron Systems**	33	9	9	Miami	BS	1,091.4	—	—	1,091.4	29.28	375,415
Warren G Wood **Cabot Medical**	61	8	8	Washington	BSEE	204.6	9.2	—	213.8	18.50	15,868
David B Leeson **California Microwave**	54	23	23	Cal Tech Stanford	BS PhD	314.6	55.0	—	369.6	2.55	4,743
Joseph S Kruy **Cambex**	60	23	23	U of Budapest U of Budapest	BS MSEE	363.2	—	—	363.2	10.07	6,237
Dean G Cannon **Cannon Express**	50	10	10			162.0	—	—	162.0	30.30[2]	8,911
George A Fait **Capitol Transamerica**	65	31	31	Wisconsin	BBA	927.7	31.9	—	959.6	19.32	16,458
John G Rangos Sr **Chambers Development**	62	20	6			1,548.0	2.0	—	1,550.0	27.65	524,354
Duane C Montopoli **Chemical Fabrics**	42	5	4	Cincinnati Golden Gate U	BBA MA	205.3	—	2,144.3	2,349.6	0.06	59
John P Morgridge **Cisco Systems**	58	3	3	Wisconsin Stanford	BBA MBA	274.9	—	—	274.9	4.38	49,552

Stock prices as of Oct. 11. *Includes all share classes. [1]Became chief executive April 1990. Salary is for office of vice president and chief operating officer. [2]Shares held jointly with wife, Rose Marie Cannon, who is also an officer of the company. [3]Less than 0.01%.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	Stock owned mkt val* (000)
Robert J Shillman **Cognex**	45	10	10	Northeastern MIT	BSEE MSEE	$216.0	—	—	$216.0	25.72%	$64,190
James W Barnes **Cohu**	61	33	8	Cal State Fresno	BS	248.1	—	—	248.1	1.27	277
Stephen G Hall **Colonial Cos**	45	18	1	Citadel Utah	BS MBA	388.0	$27.1	—	415.1	0.04	167
John R Cummings **Comptek Research**	58	23	1			169.4	0.9	—	170.3	5.57	1,303
Gordon S Glenn **Computer Data Sys**	43	20	—†	Kentucky	BSME	244.3	2.2	—	246.5[1]	0.85	226
Dan M Palmer **Concord Computing**	48	6	2	Memphis State	BA	197.5	—	$160.0	357.5	0.32	883
H Robert Gill **ConferTech International**	55	3	3	Indiana Tech Purdue	BSEE MSEE	150.0	—	—	150.0	0.04	10
Robert C Strauss **Cordis**	50	9	5	Illinois Idaho	BS MS	333.1	—	30.6	363.7[2]	0.07	395
Mark S Weinstein **Cosmetic Center**	39	19	3	Maryland	BA	212.0	—	—	212.0	6.01	1,909
Thomas N Hendrickson **CPAC**	49	22	22	Wisconsin Rochester	BA MCE	379.5	12.6	—	392.1	9.45	1,935
Dan W Evins **Cracker Barrel Old Ctry Str**	56	22	22			516.8	21.0	—	537.8	1.66	12,802
Jack Farber **CSS Industries**	58	12	12	Pennsylvania	BS	490.0	21.6	—	511.6	42.34[3]	69,378
T J Rodgers **Cypress Semiconductor**	43	8	8	Dartmouth Stanford	BS PhD	250.0	—	—	250.0	0.77	5,469
Ron Pickard **Danek Group**	42	1	1			—[4]	—	1,635.8	1,635.8	3.30	9,460
Richard C Rose **Dataflex**	43	7	2	Miami	BS	868.6	—	—	868.6	4.12	2,293
Nunzio P De Santis **Diagnostek**	40	9	9	New Mexico	BS	361.0	33.4	—	394.4	6.59	28,627
Sigi Ziering **Diagnostic Prods**	63	19	18	CUNY Brooklyn Syracuse	BS MS, PhD	343.0	—	—	343.0	20.31	105,213
John P Schinas **Digi Intl**	54	6	6	Texas Northeastern	BS MS	300.9	—	—	300.9	23.32	44,640
A Blaine Bowman **Dionex**	45	12	9	Brigham Young Stanford	BS MBA	369.7	39.8	6.4	415.9	2.28	4,775
T Gary Rogers **Dreyer's Grand Ice Cream**	49	14	14	U of Calif Berkeley Harvard	BS MBA	598.7	66.6	—	665.3	12.18	48,715
John S Haddick **Duriron**	62	37	6	Iowa State	BS	621.6	10.1	66.2	697.9	0.33	855
John A Couri **Duty Free Intl**	50	9	9	Syracuse	BA	475.0	—	—	475.0	7.51[5]	59,965
Gerhard J Neumaier **Ecology and Environment**	54	21	21	GMI Inst SUNY Buffalo	BME MA	207.5	14.9	—	222.4	22.88	14,615

Stock prices as of Oct. 11. *Includes all share classes. †Less than one year. [1]Became chief executive 7/16/91. Salary is for office of president and chief operating officer. [2]For fiscal year ended 6/30/90. [3]Estimated; includes indirect ownership through Philadelphia Inds. [4]Became chief executive 4/1/91. Salary data not available. [5]Includes chief executive's proportional interest in IDF Services.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	mkt val* (000)
Lawrence F Probst III **Electronic Arts**	40	7	1	Delaware	BA	$262.5	—	—	$262.5[1]	—	—
Thorley D Briggs **Emcon**	59	10	5	Harvard	BA	186.7	$8.0	—	194.7	1.98%	$2,599
Donald D Maurer **Empi**	54	14	12	South Dakota State Iowa State	BSEE MS	209.2	4.0	$97.6	310.8	5.97	2,672
Malcolm Waddell **EnClean**	39	9	9	Rice Harvard	BA MBA	190.0	3.4	—	193.4	3.99	3,289
Bernard J Duroc-Danner **Energy Ventures**	38	4	1	Pennsylvania	PhD	206.7	—	740.0	946.7	0.33	640
Robert A Kierlin **Fastenal**	52	24	24	Minnesota Minnesota	BS MA	120.0	—	—	120.0	19.52	42,119
George D Dalton **Fiserv**	63	7	7	Northwestern	BBS	314.0	13.8	—	327.8	1.26	6,270
Howard Solomon **Forest Labs**	64	14	14	CUNY City Col Yale	BS LLB	401.2	—	—	401.2	1.66	19,856
Charles B Johnson **Franklin Resources**	58	34	20	Yale	BA	479.6	19.7	—	499.3	22.93	331,742
George W Townson **Frederick's of Hollywood**	50	6	6			408.1	—	353.0	761.1[2]	0.97	781
Walter A Rhulen **Frontier Insurance Group**	60	28	28	Connecticut	BS	266.4	24.1	—	290.5	10.78	16,117
Stoney M Stubbs Jr **Frozen Food Express Inds**	55	31	8	Texas A&M	BBA	244.1	18.4	—	262.5	4.32	2,363
Joseph D Macchia **Gainsco**	56	13	13	Fairfield	BS	421.8	118.5	280.1	820.4	12.89	14,795
Robert L Paulson **Geodynamics**	54	2	2	Michigan Tech Air Force Tech	BS MS	198.4	—	24.0	222.4	0.33	108
Harold F Flynn **Geonex**	55	15	15	Widener	BA	174.1	—	—	174.1	29.07[3]	11,999
David W Miller **Geraghty & Miller**	62	35	34	Colby Columbia	BA MA	317.1	8.1	—	325.2	21.96	21,219
Frank A Rosenberry **CR Gibson**	54	8	3	Princeton	BA	217.0	13.3	—	230.3	4.07	2,673
David C Wetmore **Goal Systems**	43	3	2	Notre Dame Ohio State	BBA MBA	359.7	7.1	—	366.8[4]	0.09	214
Ronald K Zuckerman **Grist Mill**	49	18	10	Illinois Chicago	BSEE MBA	299.7	2.9	—	302.6	12.48	3,482
Robert S Bowen **Group 1 Software**	53	8	5	Northwestern Harvard	BS MBA	608.0	—	—	608.0[5]	0.29	270
David S Eakin **Gundle Environmental Sys**	36	7	7	Princeton Carnegie-Mellon	BSE MBA	291.0	—	—	291.0	4.21	7,727
Kathryn C Hach **Hach**	69	43	4			88.8	9.6	—	98.4	41.14	69,661
John F White **Haemonetics**	47	15	8	William Jewell U of Penn, Wharton	BS MBA	615.2	2.5	—	617.7	14.55	52,913

Stock prices as of Oct. 11. *Includes all share classes. [1]Salary as senior vice president of company, became chief executive April 1991. [2]Compensation for year ended August 1990. [3]Shares held jointly with wife, Judith Flynn, who is also an officer of the company. [4]Became chief executive February 1990. Salary is for office of president and chief operating officer. [5]Chief executive partially compensated by Comnet, which owns 82.9% of firm's stock. For fiscal year ended 3/31/90.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	Stock owned mkt val* (000)
Curtis L Smith Jr **Handex Environ Recovery**	64	5	5	Dartmouth	BA	$176.4	—	—	$176.4	25.52%	$57,898
James C Smith **HealthCare Compare**	50	7	7	Northeastern	BA	406.0	$4.2	—[1]	410.2	3.68	26,963
Russell A Gerdin **Heartland Express**	50	13	13	Moorhead State	BA	300.0	—	—	300.0	50.02	89,411
Kent H Kerkhof **Home Nutritional Svcs**	42	4	2	Butler Butler	BS MS	141.3	2.1	$44.1[1]	187.5	0.21	544
James M McNamee **Hooper Holmes**	46	23	7	Regis College Fairleigh Dickinson	BS MBA	249.0	13.9	—	262.9	0.45	290
Henry C Baumgartner **ILC Technology**	59	24	1	Stanford Stanford	BA MBA	141.3	2.1	—	143.4	2.69	1,592
Jerome Kalishman **Insituform Mid-America**	64	7	4	Washington Washington	BS,BA JD	225.0	8.9	—	233.9	34.80	33,451
Michael P Sullivan **Intl Dairy Queen**	56	16	4	Marquette Minnesota	BS JD	450.0	—	—	450.0	0.25	1,053
Ralph R Weiser **Intl Recovery**	66	7	7	NYU Harvard	BA JD	535.0	—	—	535.0	5.53	4,623
Sam N Wilson **Intertrans**	56	11	11	North Texas State	BA	176.2	—	—	176.2	3.52	3,817
Robert W Allington **Isco**	56	32	32	U of Nebraska Lincoln U of Nebraska Lincoln	BS MS	198.8	8.4	—	207.2	50.16	36,283
Gerald B Shreiber **J&J Snack Foods**	49	20	20			375.0	4.0	—	379.0	28.10	38,763
Jean Madar **Jean Philippe Fragrances**	30	6	6	Ecole SS Econ & Com	MBA	151.0	47.4	—	198.4	38.17	7,319
E Robert Ferguson **Kasler**	53	6	2	Michigan	BSCE	178.7	13.5	9.7	201.9	0.36	324
Lawrence J Cawley **Kaydon**	57	6	4	Cleveland State	BME	491.2	—	34.9	526.1	0.21	730
John F Keane **Keane**	60	26	26	Harvard Harvard	BA MBA	245.9	2.7	—	248.6	45.50	41,017
Morrie K Abramson **Kent Electronics**	56	18	18	Houston	BA	442.3	2.1	—	444.4	3.85	3,461
Steven L Salman **Kentucky Medical Ins**	44	—†	—†	Indiana Capital U	BS JD	—	—	—	—[2]	—[2]	—
George A Peterkin Jr **Kirby**	64	43	15	U of Texas Austin	BBA	282.6	4.0	—	286.6	2.53	8,732
Ray Wirta **Koll Management Svcs**	47	11	1	Cal State Long Beach Golden Gate U	BA MBA	—	—	—	—[3]	—	—
Thomas M Fulton **Landauer**	57	14	4	Dartmouth	BA	228.8	—	—	228.8	1.54	2,057
C Eugene Ennis **Landmark Graphics**	47	7	7	Houston	BSEE	166.4	—	—	166.4	1.56	3,732
C Fredrick Sehnert **Laser Precision**	60	6	—†	North Texas State	BA	—	—	—	—[4]	0.01	3

Stock prices as of Oct. 11. *Includes all share classes. †Less than one year. [1]Stock gains from exercising options of Healthdyne, which owns 67% of company. [2]Became chief executive 8/1/91. Information not available. [3]Chief executive compensated by Koll Co., which owns 66.7% of firm's stock. [4]Became chief executive 8/29/91. Compensation data not available.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	Stock owned mkt val* (000)
Daniel J Terra **Lawter Intl**	80	51	51	Penn State	BSCE	—	—	—	—[1]	18.46%	$89,171
Donald Jonas **Lechters**	62	16	16			$60.0	$34.0	—	$94.0	35.21	112,755
Michael Leiner **P Leiner Nutritional Prods**	45	14	13	Imperial C London Harvard	BSC MBA	400.6	—	—	400.6	1.97	1,387
Gary D Parker **Lindsay Manufacturing**	46	20	7	Nebraska Wesleyan	BS	198.6	24.6	$367.1	590.3	0.68	780
Robert H Swanson Jr **Linear Technology**	53	10	10	Northeastern	BS	371.2	—	—	371.2	2.41	11,026
Hsing (Morries) Y Liu **Liuski Intl**	43	7	7	Chinese Cultural U	BA	112.0	—	—	112.0	58.25	12,117
John E Pippin **LXE**	64	23	23	Georgia Tech Harvard	BEE PhD	261.6	3.5	—	265.1[2]	2.39[3]	2,206
Andrew W Hoch **Magma Power**	68	11	4	Stevens Inst Tech	BS	201.9[4]	—	—	201.9	0.38	2,306
Anthony W DeSio **Mail Boxes Etc**	61	10	7	Connecticut	BSEE	256.6	12.8	317.5	586.9	13.42	19,273
Doyl D West **Matrix Services**	49	7	7			193.6	—	—	193.6	2.30	5,529
John F Gifford **Maxim Integrated Prods**	50	8	8	UCLA	BSEE	400.0	—	922.5	1,322.5	2.22	5,031
William O Bailey **MBIA**	65	4	4	Dartmouth Pennsylvania	BA MBA	775.0	97.7	—	872.7	0.05	798
Robert P McGrath **McGrath RentCorp**	58	12	12	Notre Dame	BS	323.7	116.1	—	439.8	28.21[6]	33,426
David A Swann **MedChem Prods**	55	21	19	Reading U Leeds	BS PhD	277.3	—	—	277.3	6.26	7,233
David A Abrahamson **Medicine Shoppe Intl**	52	6	2	Illinois Harvard	BS MBA	215.9	4.7	—	220.6[5]	0.10	185
Ernest G Ludy **Medstat Systems**	45	10	10	U of Detroit U of Detroit	BA MA	276.2	17.0	—	293.2	30.90	27,597
James F Marino **Merchants Group**	48	19	10	La Salle	BA	233.0	66.4	—	299.4	0.50	129
John E Reed **Mestek**	75	47	47	Yale Northeastern	BA LLB	828.9	12.0	—	840.9	36.02	30,324
William J McGinley **Methode Electronics**	68	45	45	Amherst	BA	520.3	228.7	—	749.0	8.91	10,881
Salvatore M Caravetta **Micro Healthsystems**	65	20	20	Penn State	BA	245.9	—	—	245.9	27.07	16,661
Reay Sterling Jr **Micros Systems**	59	5	4	Cornell	BME	152.7	—	—	152.7	0.09	44
Christopher L White **Mid-American Waste Sys**	38	6	1	Ohio State	BS	244.3	—	—	244.3	3.77	15,681
William N Mayer **Modern Controls**	61	20	4	Wisconsin	BS	253.1	1.1	76.1	330.3	3.70	2,475

Stock prices as of Oct. 11. *Includes all share classes. [1]Chief executive authorized to receive, but waived, cash compensation of $450,000. [2]Compensated through Electromagnetic Sciences. [3]Shares owned indirectly through Electromagnetic Sciences, which owns 78.3% of company. [4]Acting chief executive. Salary as chief operating officer and chairman of the board. [5]Became chief executive May 1990. Salary is for office of senior vice president. [6]Shares held jointly with wife, Joan McGrath, who is also an officer of the company.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	mkt val* (000)
George A Ciotti **Moorco Intl**	60	27	2	Gannon Gannon	BSEE MBA	$390.0	$4.3	—	$394.3	2.49%	$5,359
M Akram Chowdry **Mylex**	56	5	5	U of Panjab U of Calif Berkeley	MA PhD	550.0	—	—	550.0	3.11	1,796
Ronald L Bornhuetter **NAC Re**	59	6	6	Wooster Columbia	BA MBA	925.5	40.8	—	966.3	0.63	2,171
Alan D Kennedy **Nature's Sunshine Prods**	60	2	2	Colgate	BA	184.6	—	—	184.6	0.12	102
C Raymond Larkin Jr **Nellcor**	43	8	2	La Salle	BS	340.0	—	—	340.0	0.61	2,040
Lloyd E Cotsen **Neutrogena**	62	34	24	Princeton Harvard	BA MBA	650.0	17.2	—	667.2	38.74	242,383
Albert L Nichols **Nichols Institute**	57	21	21	Loyola Marquette	BS MD	457.0	—	$1,042.7	1,499.7	19.42	33,523
Chris H Horgen **Nichols Research**	44	15	15	Iowa State USC	BS MS	205.7	23.7	—	229.4	11.02	5,666
Ahmed D Kafadar **OEA**	76	34	34	Colo School of Mines Colo School of Mines	EM MEM	353.1	15.0	—	368.1	13.47	47,020
James B Clement **Offshore Logistics**	46	14	3	Baylor	BA	248.3	9.3	168.8	426.4	—	—
William W Botts **OI**	49	7	6	Mississippi State Mississippi State	BSIE MBA	169.4	4.7	—	174.1	3.42	1,153
D Dean Spatz **Osmonics**	47	22	22	Dartmouth Dartmouth	BA ME	294.2	20.0	—	314.2	20.11	22,784
B Thomas Golisano **Paychex**	49	20	20			306.4	—	—	306.4	15.67	57,333
Louis A Delmonico **PDA Engineering**	50	4	2	St John's Uppsala	BA PhD	351.2	14.0	—	365.2	—	—
Henry David Epstein **Penril Datacomm Networks**	64	4	4	Brown Harvard	BS MEE	375.2	—	—	375.2	4.87	1,935
Norman Melnick **Pentech Intl**	60	7	7	Polytechnic Inst	BS	268.5	18.0	—	286.5	13.19	13,367
Cecil S Harrell **Pharmacy Management Svcs**	57	19	19	Auburn	BS	241.2	—	—	241.2[1]	46.55	33,461
James A Miller **Plains Petroleum**	57	3	3	Baylor	BS	177.4	0.5	—	177.9	0.06	207
Michael W Dunaway **Psicor**	51	23	23			200.0	10.8	—	210.8	53.61	31,312
Walter W Straub **Rainbow Technologies**	43	9	8	Drexel Drexel	BS MBA	183.7	1.0	—	184.7	8.66	6,426
David A Christensen **Raven Industries**	56	29	20	South Dakota State	BS	299.5	23.1	81.9	404.5	3.52	1,927
Thomas A James **Raymond James Financial**	49	27	22	Harvard Harvard	BA MBA	579.9	48.8	—	628.7	30.38	68,723
James M Usdan **RehabCare**	42	2	2	Harvard	AB	103.4	—	—	103.4	0.03[2]	18

Stock prices as of Oct. 11. *Includes all share classes. [1]For fiscal year ended July 1990. [2]Shares owned indirectly through Comprehensive Care, which owns 47.9% of company.

THE 200 BEST SMALL COMPANIES' CHIEF EXECUTIVES

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	Stock owned mkt val* (000)
Gary L Crocker **Research Inds**	40	8	8	Harvard Harvard	BS MBA	$218.8	$3.2	$381.4	$603.4	4.51%	$6,396
Gerald E McGinnis **Respironics**	57	20	20	Illinois Pittsburgh	BS MS	236.7	46.2	—	282.9[1]	10.81	10,514
Michael O Preletz **Rexon**	52	6	5			406.9	—	25.0	431.9	7.83	5,181
Lawrence A Lemkuhl **St Jude Medical**	54	6	6	U of Iowa	BBA	453.2	80.4	—	533.6	0.21	4,821
Mario Sbarro **Sbarro**	49	14	7			425.3	—	—	425.3	10.41	52,933
Patrick Peugeot **SCOR US**	54	8	3			267.1	—	76.8	343.9	0.09	241
Marvin W Ozley **Sealright**	57	25	3	SW Missouri State	BS	310.0	5.2	—	315.2	1.68	4,447
Alfred P West Jr **SEI**	48	23	23	Georgia Tech U of Penn, Wharton	BS MBA	254.4	7.8	—	262.2	28.71	81,753
Herbert M Pearlman **Seitel**	58	9	5	Adelphi	BBA	577.0	—	—	577.0	2.35	1,519
Ronald G Assaf **Sensormatic Electronics**	56	25	25			580.2	130.5	—	710.7	0.96	6,433
Richard W Krajicek **Serv-Tech**	62	9	9			141.5	1.3	—	142.8	17.98	15,003
William T O'Donnell Jr **Sierra Tucson Cos**	42	7	7	Brown Northwestern	BA MM	518.0	—	—	518.0	45.36	101,913
Winston H Chen **Solectron**	50	13	7	Chen Kung Harvard	BS PhD, MS	317.3	—	—	317.3	12.72	21,268
Louis P Neeb **Spaghetti Warehouse**	52	3	—†	Notre Dame George Washington	BBA MBA	—	—	—	—[2]	0.20	271
Donald C Spann **Span America Medical Sys**	56	20	20	S Carolina	BA	163.4	—	—	163.4	20.80	3,667
George W Sztykiel **Spartan Motors**	62	14	14	London University	BS	149.3	5.6	—	154.9	15.01	23,688
Milan Panic **SPI Pharmaceuticals**	61	10	10	U of Belgrade	BA	574.0	—	—	574.0[3]	0.43[4]	1,546
Robert L Bailey **State Auto Financial**	57	20	3	Pittsburgh State	AB	217.5	18.3	—	235.8	0.12	105
David S Samuels **State Of The Art**	36	6	6	Ohio State	BS	345.0	—	—	345.0	6.38	5,399
Ronald J Friedsam **Structural Dynamics Res**	48	5	5	NYU	BS	805.6	4.0	1,239.0	2,048.6	0.05	276
John W Brown **Stryker**	57	15	15	Auburn	BS	440.0	22.0	—	462.0	4.78	61,271
Robert J Sullivan **Sullivan Dental Prods**	61	11	11			279.0	1.5	—	280.5	24.92	35,524
Macy T Block **Sun Television & Appl**	65	42	1			150.0	—	—	150.0	30.69	25,197

Stock prices as of Oct. 11. *Includes all share classes. †Less than one year. [1]For fiscal year ended 6/30/90. [2]Became chief executive 7/1/91. Compensation data not available. [3]Compensated by ICN Pharmaceuticals. [4]Includes proportional interest through ICN Pharmaceuticals, which owns 88% of firm's stock.

Chief executive Company	Age	Years with co	Years as CEO	Undergraduate graduate college	College degrees	Compensation (000) salary + bonus	other	stock gains	total	Stock owned %	mkt val* (000)
Joel C Gordon **Surgical Care Affiliates**	62	9	6	Kentucky	BS	$457.4	—	$1,081.1	$1,538.5	6.32%	$77,177
Lawrence J Fox **Symix Systems**	35	12	12	Ohio State Dayton	BS MBA	245.1	$1.2	—	246.3	51.12	19,125
Thomas E Haire **T2 Medical**	47	8	8	Central Michigan	BS	390.4	18.1	—	408.5	1.92	17,731
Thomas E Oland **Techne**	50	7	6			158.4	30.6	—	189.0	2.30	1,837
Peter N Vicars **Tekelec**	44	4	3			298.0	3.1	—	301.1	0.08	49
Michael L Jeane **Tetra Technologies**	45	11	7	Stephen F Austin St NYU	BS MS	276.2	—	—	276.2	1.63	3,017
Arvin H Smith **Thermo Instrument Sys**	62	21	5	Texas Christian	BS	211.5	—	61.3	272.8[1]	0.22[2]	1,457
Melvin J Gordon **Tootsie Roll Industries**	71	39	29	Harvard Harvard	AB MBA	661.0	77.9	—	738.9	19.04[3]	109,451
Richard W Ussery **Total System Services**	44	26	9	Auburn	BA	244.4	—	—	244.4	0.14	616
Robert S Reitman **Tranzonic Cos**	57	23	18	West Virginia Case Western Res	BS JD	496.0	32.7	52.7	581.4	15.18	8,731
James F Billet Jr **Trenwick Group**	47	13	13	Lafayette	AB	582.8	122.5	—	705.3	1.62	2,683
Stephen F Bullock **TriCare**	38	6	6	Arizona	BS	241.4	—	—	241.4	3.58	2,975
Jack Tseng **Tseng Labs**	40	8	8	Spring Garden C	BSEE	157.2	—	—	157.2	33.59	52,262
William Dean Wallace **Utah Medical Products**	44	8	5	Brigham Young Utah	BS MD, PhD	123.0	—	—	123.0	4.76	6,046
John R Potter **Utilx**	46	8	2	Harvard MIT	BA MS	330.5	4.7	—	335.2	1.59	676
Steven J Appel **Value Merchants**	49	2	2	Wisconsin	BBA	342.5	—	—	342.5	2.80	6,717
W Bruce Lunsford **Vencor**	44	6	6	Kentucky Northern Kentucky	BA JD	224.5	4.3	—	228.8	10.15	40,148
Hatim A Tyabji **VeriFone**	46	5	5	C of Engineer India SUNY Buffalo	BS MS	420.0	80.3	249.6	749.9	0.90	3,838
J Rex Vardeman **Vertex Communications**	52	7	7	Texas Tech Southern Methodist	BS MS	171.0	—	—	171.0	9.66	2,381
Patrizio Vinciarelli **Vicor**	45	10	10	U of Rome	PhD	109.7	8.7	—	118.4	52.87	294,994
Terence D Wall **Vital Signs**	50	20	20	Maryland Pace	BS MBA	243.3	0.9	—	244.2	40.72	81,320
Clarence L Werner **Werner Enterprises**	54	35	35			553.9	—	—	553.9	49.74	151,352
Ted Thompson **X-Rite**	62	23	15	Aquinas College	BS	240.1	10.0	—	250.1	7.91	7,626

Stock prices as of Oct. 11. *Includes all share classes. [1]Chief executive is paid by Thermo Electron. [2]Includes shares owned indirectly through Thermo Electron, which owns 83% of company. [3]Shares held jointly with wife, Ellen Gordon, who is also an officer of the company.

Ranking the 200 Best Small Companies

Where they rank: 5-year average ROE	Sales	Profits	Market value	Company	Exch	Ticker symbol	5-year average ROE	Sales ($mil)	Profits ($mil)	Market value* ($mil)
139	78	64	66	A&W Brands	o	SODA	14.0%	$118	$13.0	$254
46	7	5	11	Acuson	n	ACN	24.6	310	53.2	1,183
6	32	6	14	Adobe Systems	o	ADBE	44.0	220	50.5	1,043
8	33	63	106	Advanced Logic Research	o	AALR	43.2	213	13.1	135
79	97	130	174	AirTran	o	ATCC	19.8	93	4.8	46
164	12	52	57	AL Laboratories	n	BMD	12.2	283	15.0	305
50	60	20	28	Aldus	o	ALDC	23.9	161	28.0	541
124	31	22	77	Alfa Corp	o	ALFA	15.6	224	26.4	219
187	5	51	144	Allied Group	o	ALGR	10.0	331	15.3	80
110	91	199	200	Allou Health & Beauty Care	a	ALU	16.3	96	1.1	17
51	199	184	190	Allstate Financial	o	ASFN	23.8	10	2.1	26
111	99	53	35	Altera	o	ALTR	16.3	91	14.9	454
98	36	31	87	American Fructose	a	AFCA	18.0	206	22.6	185
38	200	163	169	American List	a	AMZ	26.2	9	3.2	53
120	14	60	78	American Management Sys	o	AMSY	15.8	279	13.3	216
14	117	68	54	American Power Conversion	o	APCC	38.2	72	11.5	326
143	140	155	173	American Precision Inds	n	APR	13.7	51	3.9	51
65	57	30	41	Arnold Industries	o	AIND	21.7	163	22.6	418
147	136	168	146	Artistic Greetings	o	ARTG	13.3	54	2.8	78
160	172	174	170	Astro-Med	o	ALOT	12.5	30	2.6	52
42	17	4	12	Autodesk	o	ACAD	25.5	267	60.8	1,161
183	64	159	164	Michael Baker	a	BKR	10.3	148	3.4	57
27	162	90	33	Ballard Medical Prods	o	BMED	28.6	36	8.2	468
131	111	165	137	Ben & Jerry's Homemade	o	BJICA	14.9	83	2.9	84
44	184	118	116	BGS Systems	o	BGSS	25.4	23	5.5	110
68	26	9	2	Biomet	o	BMET	21.4	227	42.4	2,121
11	68	17	6	BMC Software	o	BMCS	39.1	143	29.4	1,339
60	171	136	142	Boston Acoustics	o	BOSA	22.3	30	4.3	82
61	98	137	104	Bridgford Foods	o	BRID	22.2	92	4.3	138
83	54	82	56	Buffets	o	BOCB	19.2	171	9.0	315
5	24	7	8	Cabletron Systems	n	CS	44.1	233	46.4	1,282
133	156	177	131	Cabot Medical	o	CBOT	14.7	38	2.4	86

a: American Stock Exchange. n: New York Stock Exchange. o: over-the-counter. *Includes all share classes.

Where they rank: 5-year average ROE	Sales	Profits	Market value	Company	Exch	Ticker symbol	5-year average ROE	Sales ($mil)	Profits ($mil)	Market value* ($mil)
196	49	91	86	California Microwave	o	CMIC	9.0%	$177	$8.0	$186
1	161	121	158	Cambex	o	CBEX	100.0†	36	5.3	62
106	179	186	186	Cannon Express	o	CANX	16.8	27	2.0	29
30	166	81	133	Capitol Transamerica	o	CATA	28.1	33	9.1	85
121	13	11	3	Chambers Development	a	CDVA	15.8	281	39.0	1,896
103	139	114	123	Chemical Fabrics	o	CMFB	17.0	51	5.8	96
19	46	8	13	Cisco Systems	o	CSCO	33.8	183	43.2	1,131
74	178	92	68	Cognex	o	CGNX	20.6	27	8.0	250
172	145	172	194	Cohu	a	COH	11.4	48	2.7	22
155	3	12	39	Colonial Cos	o	CLACB	12.7	337	38.0	423
194	135	193	193	Comptek Research	a	CTK	9.3	55	1.6	23
161	73	158	188	Computer Data Systems	o	CPTD	12.4	133	3.5	27
34	148	101	61	Concord Computing	o	CEFT	27.1	45	7.0	276
49	189	197	189	ConferTech International	o	CFER	24.3	18	1.3	26
184	41	37	27	Cordis	o	CORD	10.2	199	19.3	542
199	108	188	185	Cosmetic Center	o	COSC	8.7	84	1.8	32
76	173	191	196	CPAC	o	CPAK	20.3	29	1.7	21
144	9	29	17	Cracker Barrel Old Ctry Str	o	CBRL	13.7	300	22.9	772
36	56	39	95	CSS Industries	a	CSS	26.5	165	18.5	164
168	19	13	19	Cypress Semiconductor	n	CY	11.9	263	35.5	706
17	168	142	59	Danek Group	o	DNKG	35.7	32	4.2	287
72	93	132	165	Dataflex	o	DFLX	21.0	94	4.7	56
158	21	84	37	Diagnostek	n	DXK	12.6	250	8.8	434
75	109	41	29	Diagnostic Prods	n	DP	20.4	84	18.4	518
15	164	98	85	Digi Intl	o	DGII	37.9	36	7.3	191
114	104	57	81	Dionex	o	DNEX	16.1	89	14.2	209
104	4	59	43	Dreyer's Grand Ice Cream	o	DRYR	16.9	333	13.9	400
127	10	34	65	Duriron	o	DURI	15.3	298	21.6	257
100	67	40	16	Duty Free Intl	o	DFII	17.7	145	18.5	798
169	107	120	157	Ecology and Environment	a	EEI	11.9	87	5.3	64
69	82	79	64	Electronic Arts	o	ERTS	21.4	109	9.6	264
132	125	119	108	Emcon	o	MCON	14.8	63	5.4	131
175	190	198	175	Empi	o	EMPI	11.2	18	1.2	45
149	88	138	140	EnClean	o	ENCL	13.2	100	4.3	83
97	53	15	84	Energy Ventures	o	ENGY	18.1	172	31.6	193
48	130	103	79	Fastenal	o	FAST	24.4	59	6.6	216
146	34	49	31	Fiserv	o	FISV	13.4	213	15.5	499
151	38	10	10	Forest Labs	a	FRX	13.0	201	40.4	1,196
13	8	2	5	Franklin Resources	n	BEN	38.9	307	93.8	1,447
128	80	126	143	Frederick's of Hollywood	n	FHO	15.3	112	5.0	80
57	105	67	98	Frontier Insurance Group	n	FTR	22.9	89	12.3	150
156	52	148	168	Frozen Food Express Inds	a	JIT	12.7	174	4.0	55

a: American Stock Exchange. n: New York Stock Exchange. o: over-the-counter. *Includes all share classes. †Figure greater than 100%.

Where they rank				Company	Exch	Ticker symbol	5-year average ROE	Sales ($mil)	Profits ($mil)	Market value* ($mil)
5-year average ROE	Sales	Profits	Market value							
89	141	94	114	Gainsco	a	GNA	18.8%	$51	$7.7	$115
138	127	156	184	Geodynamics	o	GDYN	14.1	62	3.8	33
200	124	185	179	Geonex	o	GEOX	8.0	63	2.0	41
125	112	145	120	Geraghty & Miller	o	GMGW	15.5	80	4.1	97
134	126	160	156	CR Gibson	a	GIB	14.5	63	3.3	64
66	75	56	69	Goal Systems	o	GOAL	21.6	125	14.4	241
188	128	187	187	Grist Mill	o	GRST	9.9	61	1.9	28
37	176	154	124	Group 1 Software	o	GSOF	26.3	28	3.9	94
140	72	106	89	Gundle Environmental Sys	a	GUN	14.0	134	6.5	184
142	113	107	92	Hach	o	HACH	13.9	76	6.5	169
58	58	55	46	Haemonetics	n	HAE	22.7	163	14.6	364
20	150	104	73	Handex Environ Recovery	o	HAND	33.4	44	6.6	227
148	132	87	18	HealthCare Compare	o	HCCC	13.3	56	8.6	732
43	119	89	90	Heartland Express	o	HTLD	25.5	69	8.2	179
47	101	76	67	Home Nutritional Svcs	o	HNSI	24.5	90	10.0	254
136	76	164	154	Hooper Holmes	a	HH	14.3	123	3.2	65
130	157	151	160	ILC Technology	o	ILCT	15.0	38	4.0	59
109	144	123	122	Insituform Mid-America	o	INSMA	16.6	48	5.1	96
22	11	21	40	Intl Dairy Queen	o	INDQA	33.1	285	27.6	422
78	25	127	136	Intl Recovery	n	INT	20.0	229	5.0	84
99	65	109	117	Intertrans	o	ITRN	17.9	147	6.4	108
145	159	144	148	Isco	o	ISKO	13.6	37	4.1	72
157	85	125	105	J&J Snack Foods	o	JJSF	12.7	107	5.1	138
18	198	200	198	Jean Philippe Fragrances	o	JEAN	35.6	10	1.0	19
189	44	128	128	Kasler	o	KASL	9.8	187	5.0	90
35	59	23	48	Kaydon	o	KDON	26.8	163	26.0	356
70	95	112	126	Keane	a	KEA	21.4	94	5.9	90
170	114	150	127	Kent Electronics	n	KNT	11.9	75	4.0	90
71	185	139	197	Kentucky Medical Ins	o	KYMDA	21.3	20	4.3	20
180	45	54	51	Kirby	a	KEX	10.6	186	14.8	345
2	183	180	178	Koll Management Svcs	o	KOLL	87.4	24	2.4	42
9	180	99	107	Landauer	a	LDR	40.5	27	7.3	133
193	102	78	72	Landmark Graphics	o	LMRK	9.4	90	9.8	239
166	182	175	181	Laser Precision Corp	o	LASR	12.1	25	2.5	38
54	63	25	32	Lawter Intl	n	LAW	23.4	150	24.9	483
86	37	71	55	Lechters	o	LECH	19.0	205	10.4	320
150	71	115	150	P Leiner Nutritional Prods	a	PLI	13.1	136	5.7	70
12	89	83	113	Lindsay Manufacturing	o	LINZ	39.0	99	8.9	115
112	94	46	34	Linear Technology	o	LLTC	16.2	94	17.0	457
24	74	195	195	Liuski Intl	o	LSKI	32.4	130	1.5	21
84	169	181	125	LXE	o	LXEI	19.2	32	2.3	92
178	100	14	23	Magna Power	o	MGMA	10.9	91	32.2	610

a: American Stock Exchange. n: New York Stock Exchange. o: over-the-counter. *Includes all share classes.

Where they rank: 5-year average ROE	Sales	Profits	Market value	Company	Exch	Ticker symbol	5-year average ROE	Sales ($mil)	Profits ($mil)	Market value* ($mil)
90	170	146	99	Mail Boxes Etc	o	MAIL	18.6%	$32	$4.1	$144
4	90	108	71	Matrix Services	o	MTRX	44.7	98	6.5	240
115	115	74	74	Maxim Integrated Prods	o	MXIM	16.1	74	10.1	227
154	22	1	4	MBIA	n	MBI	12.9	240	128.4	1,528
77	133	72	111	McGrath RentCorp	o	MGRC	20.3	56	10.2	119
73	188	122	112	MedChem Prods	a	MCH	20.9	18	5.2	116
92	165	75	83	Medicine Shoppe Intl	o	MSII	18.4	35	10.0	194
87	193	190	129	Medstat Systems	o	MDST	19.0	16	1.8	89
152	87	111	191	Merchants Group	a	MGP	13.0	101	6.0	26
85	35	70	135	Mestek	n	MCC	19.2	211	10.8	84
191	62	88	110	Methode Electronics	o	METHB	9.5	151	8.3	122
107	197	183	159	Micro Healthsystems	o	MCHS	16.8	11	2.2	62
195	155	161	171	Micros Systems	o	MCRS	9.2	40	3.3	51
198	96	66	42	Mid-American Waste Systems	n	MAW	8.9	94	12.7	416
63	195	173	151	Modern Controls	o	MOCO	22.1	13	2.7	67
137	50	65	80	Moorco Intl	o	MOOR	14.3	176	12.8	215
162	134	140	162	Mylex	o	MYLX	12.4	56	4.3	58
177	15	18	50	NAC Re	o	NREC	11.1	277	29.2	347
56	122	141	132	Nature's Sunshine Prods	o	NATR	23.2	65	4.2	86
16	61	44	52	Nellcor	o	NELL	36.1	159	17.2	333
25	27	36	22	Neutrogena	o	NGNA	30.5	226	19.7	626
181	39	97	91	Nichols Institute	a	LABA	10.4	200	7.5	173
122	106	134	172	Nichols Research	o	NRES	15.7	88	4.4	51
163	110	69	49	OEA	n	OEA	12.4	84	11.1	349
101	92	45	102	Offshore Logistics	o	OLOG	17.7	95	17.0	140
55	192	194	183	OI	o	OICO	23.4	17	1.6	34
176	147	152	115	Osmonics	o	OSMO	11.2	46	3.9	113
80	69	73	45	Paychex	o	PAYX	19.8	142	10.2	366
192	160	166	177	PDA Engineering	o	PDAS	9.5	36	2.9	42
31	138	102	180	Penril Datacomm Networks	o	PNRL	28.0	53	6.9	40
28	167	135	118	Pentech Intl	o	PNTK	28.2	33	4.3	101
21	116	178	149	Pharmacy Management Svcs	o	PMSV	33.3	73	2.4	72
39	131	38	53	Plains Petroleum	n	PLP	26.0	56	18.6	331
173	120	171	161	Psicor	o	PCOR	11.4	66	2.7	58
33	194	179	147	Rainbow Technologies	o	RNBO	27.6	16	2.4	74
113	103	131	167	Raven Industries	a	RAV	16.2	90	4.8	55
118	16	26	75	Raymond James Financial	n	RJF	15.9	275	24.2	226
40	152	167	166	RehabCare	o	RHBC	26.0	42	2.9	55
179	196	176	101	Research Inds	o	REIC	10.7	12	2.5	142
62	163	157	119	Respironics	o	RESP	22.2	36	3.8	97
141	47	77	152	Rexon	o	REXN	14.0	181	9.9	66
45	43	3	1	St Jude Medical	o	STJM	25.0	191	73.3	2,331

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Where they rank: 5-year average ROE	Sales	Profits	Market value	Company	Exch	Ticker symbol	5-year average ROE	Sales ($mil)	Profits ($mil)	Market value* ($mil)
82	40	32	30	Sbarro	a	SBA	19.3%	$199	$22.3	$508
182	30	16	62	SCOR US	n	SUR	10.4	226	29.6	273
64	23	48	63	Sealright	o	SRCO	22.0	234	15.8	265
53	48	61	60	SEI	o	SEIC	23.5	178	13.3	285
91	177	113	155	Seitel	n	SEI	18.6	28	5.8	65
197	20	24	20	Sensormatic Electronics	n	SRM	9.0	254	26.0	670
32	121	149	138	Serv-Tech	o	STEC	27.8	65	4.0	83
3	158	95	76	Sierra Tucson Cos	o	STSN	70.1	37	7.7	225
88	18	80	93	Solectron	o	SLTN	19.0	265	9.2	167
135	151	143	103	Spaghetti Warehouse	n	SWH	14.5	43	4.2	138
167	175	196	199	Span America Medical Sys	o	SPAN	12.1	29	1.5	18
29	123	153	96	Spartan Motors	o	SPAR	28.2	65	3.9	158
123	28	33	47	SPI Pharmaceuticals	a	SPI	15.7	226	22.2	358
185	79	86	130	State Auto Financial	o	STFC	10.2	112	8.6	88
7	191	162	134	State Of The Art	o	SOTA	43.6	17	3.3	85
116	70	47	24	Structural Dynamics Res	o	SDRC	16.1	140	16.4	610
108	1	19	7	Stryker	o	STRY	16.8	342	28.8	1,283
23	129	169	100	Sullivan Dental Prods	o	SULL	32.6	59	2.8	143
153	29	133	141	Sun Television & Appl	o	SNTV	13.0	226	4.5	82
119	66	50	9	Surgical Care Affiliates	o	SCAF	15.9	146	15.5	1,222
171	186	189	182	Symix Systems	o	SYMX	11.9	20	1.8	37
81	81	28	15	T2 Medical	o	TSQM	19.6	111	23.7	925
93	187	192	145	Techne	o	TECH	18.4	19	1.6	80
126	142	116	153	Tekelec	o	TKLC	15.5	50	5.6	65
67	118	96	88	Tetra Technologies	o	TTRA	21.5	71	7.6	185
159	2	35	21	Thermo Instrument Sys	a	THI	12.6	340	21.4	650
96	42	27	25	Tootsie Roll Industries	n	TR	18.2	198	23.9	575
59	84	58	36	Total System Services	n	TSS	22.6	107	14.1	437
165	83	129	163	Tranzonic Cos	a	TNZ	12.2	108	4.9	58
186	77	43	94	Trenwick Group	o	TREN	10.2	120	17.9	165
94	154	170	139	TriCare	o	TRCR	18.4	40	2.7	83
10	137	85	97	Tseng Labs	o	TSNG	39.6	54	8.8	156
26	174	124	109	Utah Medical Products	o	UTMD	29.4	29	5.1	127
117	143	117	176	Utilx	o	UTLX	16.1	49	5.5	43
105	51	110	70	Value Merchants	o	VLMR	16.9	176	6.1	240
102	86	105	44	Vencor	o	VCOR	17.3	104	6.6	396
190	55	62	38	VeriFone	o	VFIC	9.8	166	13.2	426
174	153	182	192	Vertex Communications	o	VTEX	11.4	42	2.3	25
52	146	93	26	Vicor	o	VICR	23.7	46	7.8	558
41	149	100	82	Vital Signs	o	VITL	25.9	45	7.0	200
129	6	42	58	Werner Enterprises	o	WERN	15.2	316	18.1	304
95	181	147	121	X-Rite	o	XRIT	18.4	26	4.1	96

a: American Stock Exchange. n: New York Stock Exchange. o: over-the-counter. *Includes all share classes.

Where to find the 200 Best Small Companies

A&W Brands
709 Westchester Avenue
White Plains, NY 10604
(914) 397-1700 Soft drinks
M L Lowenkron

Acuson
PO Box 7393
Mountain View, CA 94039
(415) 969-9112 Ultrasound medical instr
Samuel H Maslak

Adobe Systems
1585 Charleston Road
Mountain View, CA 94039
(415) 961-4400 Computer software
John E Warnock

Advanced Logic Research
9401 Jeronimo Road
Irvine, CA 92718
(714) 581-6770 PCs
Gene Lu

AirTran
7501 26th Avenue
Minneapolis, MN 55450
(612) 726-5151 Commuter airline
Robert D Swenson

AL Laboratories
One Executive Drive, PO Box 1399
Fort Lee, NJ 07024
(201) 947-7774 Pharm, animal health prods
Jeffrey E Smith

Aldus
411 First Avenue South
Seattle, WA 98104
(206) 622-5500 Computer software
Paul Brainerd

Alfa Corp
2108 East South Boulevard
Montgomery, AL 36116
(205) 288-3900 Insurance
Goodwin L Myrick

Allied Group
701 Fifth Avenue
Des Moines, IA 50304
(515) 280-4211 Insurance
John E Evans

Allou Health & Beauty Care
50 Emjay Boulevard
Brentwood, NY 11717
(516) 273-4000 Health & cosmetic prod distrib
Herman Jacobs

Allstate Financial
2700 South Quincy Street, Suite 540
Arlington, VA 22206
(703) 931-2274 Financial services
Leon Fishman

Altera
2610 Orchard Parkway
San Jose, CA 95134
(408) 984-2800 Semiconductors
Rodney Smith

American Fructose
250 Harbor Drive
Stamford, CT 06904
(203) 356-9000 High fructose corn syrup
William Ziegler III

American List
330 Old Country Road
Mineola, NY 11503
(516) 466-0602 Student mailing lists
Martin Lerner

American Management Systems
1777 North Kent Street
Arlington, VA 22209
(703) 841-6000 Mgmt & tech consulting
Charles O Rossotti

American Power Conversion
132 Fairgrounds Road
West Kingston, RI 02892
(401) 789-5735 Uninterrupt power equip
Roger B Dowdell Jr

American Precision Inds
2777 Walden Avenue
Buffalo, NY 14225
(716) 684-9700 Industrial & electrical equip
Robert J Fierle

Arnold Industries
625 South Fifth Avenue
Lebanon, PA 17042
(717) 274-2521 Trucking
Edward H Arnold

Artistic Greetings
One Artistic Plaza
Elmira, NY 14901
(607) 733-5541 Mail order stationery
Stuart Komer

Astro-Med
600 East Greenwich Avenue
West Warwick, RI 02893
(401) 828-4000 High speed printers
Albert W Ondis

Autodesk
2320 Marinship Way
Sausalito, CA 94965
(415) 332-2344 CAD software
Alvar J Green

Michael Baker
4301 Dutch Ridge Road
Beaver, PA 15009
(412) 495-7711 Engineering svcs
Richard L Shaw

Ballard Medical Prods
12050 South Lone Peak Parkway
Draper, UT 84020
(801) 572-6800 Disposable medical prods
Dale H Ballard

Ben & Jerry's Homemade
PO Box 240
Waterbury, VT 05676
(802) 244-5641 Ice cream & franchise stores
Ben R Cohen

BGS Systems
128 Technology Center
Waltham, MA 02254
(617) 891-0000 Computer software
Harold S Schwenk Jr

Biomet
PO Box 587
Warsaw, IN 46581
(219) 267-6639 Medical implant devices
Dane A Miller

BMC Software
PO Box 2002
Sugar Land, TX 77487
(713) 240-8800 Computer software
Max P Watson Jr

Boston Acoustics
70 Broadway
Lynnfield, MA 01940
(617) 592-9000 Audio speaker systems
Francis L Reed

Bridgford Foods
1308 North Patt Street
Anaheim, CA 92801
(714) 526-5533 Frozen & snack food prods
Allan L Bridgford

Buffets
10260 Viking Drive
Eden Prairie, MN 55344
(612) 942-9760 Buffet restaurants
Roe H Hatlen

Cabletron Systems
PO Box 5005
Rochester, NH 03867
(603) 332-9400 Computer network equip
S Robert Levine

Cabot Medical
2021 Cabot Boulevard West
Langhorne, PA 19047
(215) 752-8300 Female reprod health equip
Warren G Wood

California Microwave
985 Almanor Avenue
Sunnyvale, CA 94086
(408) 732-4000 Commun & telecomm equip
David B Leeson

Carnbex
360 Second Avenue
Waltham, MA 02154
(617) 890-6000 Computer equip & software
Joseph S Kruy

Cannon Express
1457 Ror nson, PO Box 364
Springdale, AR 72764
(501) 751-9209 Trucking
Dean G Cannon

Capitol Transamerica
4610 University Avenue
Madison, WI 53705
(608) 231-4450 Insurance
George A Fait

Chambers Development
10700 Frankstown Road
Pittsburgh, PA 15235
(412) 242-6237 Waste mgmt, security svcs
John G Rangos Sr

Chemical Fabrics
701 Daniel Webster Highway, PO Box 1137
Merrimack, NH 03054
(603) 424-9000 Specialized fabrics
Duane C Montopoli

Cisco Systems
1525 O'Brien Drive
Menlo Park, CA 94025
(415) 326-1941 Computer network equip
John P Morgridge

Cognex
15 Crawford Street
Needham, MA 02194
(617) 449-6030 Machine vision equip
Robert J Shillman

Cohu
5755 Kearny Villa Road
San Diego, CA 92123
(619) 277-6700 Electronics
James W Barnes

Colonial Cos
PO Box 1365
Columbia, SC 29202
(803) 798-7000 Insurance
Stephen G Hall

Comptek Research
110 Broadway
buffalo, NY 14203
(716) 842-2700 Defense hardware & software
John R Cummings

Computer Data Systems
One Curie Court
Rockville, MD 20850
(301) 921-7000 Data processing svcs
Gordon S. Glenn

Concord Computing
2525 Horizon Lake Drive, Suite 120
Memphis, TN 38133
(901) 371-8000 Transactional equip & svcs
Dan M Palmer

ConferTech International
2801 Youngfield, Suite 240
Golden, CO 80401
(303) 237-5151 Telecon equip & svcs
H Robert Gill

Cordis
14201 NW 60th Avenue
Miami Lakes, FL 33014
(305) 824-2000 Medical equipment
Robert C Strauss

Cosmetic Center
8839 Greenwood Place
Savage, MD 20763
(301) 497-6800 Distributes cosmetics
Mark S Weinstein

CPAC
PO Box 175
Leicester, NY 14481
(716) 382-3223 Photo chems, silver recovery
Thomas N Hendrickson

Cracker Barrel Old Ctry Str
Hartmann Drive
Lebanon, TN 37088
(615) 444-5533 Restaurants & gift shops
Dan W Evins

CSS Industries
1401 Walnut Street
Philadelphia, PA 19102
(215) 569-9900 Paper prods, containers
Jack Farber

Cypress Semiconductor
3901 North First Street
San Jose, CA 95134
(408) 943-2600 Semiconductors
T J Rodgers

Danek Group Inc
3092 Directors Row
Memphis, TN 38131
(901) 396-2695 Spinal implant devices
Ron Pickard

Dataflex
3920 Park Avenue
Edison, NJ 08820
(908) 321-1100 Retails PCs
Richard C Rose

Diagnostek
4500 Alexander Blvd NE
Albuquerque, NM 87107
(505) 345-8080 Pharmacy mail svc
Nunzio P De Santis

Diagnostic Prods
5700 West 96th Street
Los Angeles, CA 90045
(213) 776-0180 Medical diagnostic kits
Sigi Ziering

Digi Intl
6400 Flying Cloud Drive
Eden Prairie, MN 55344
(612) 943-9020 Comm equip & software
John P Schinas

Dionex
501 Mercury Drive
Sunnyvale, CA 94088
(408) 737-0700 Chemical analysis equip
A Blaine Bowman

Dreyer's Grand Ice Cream
5929 College Avenue
Oakland, CA 94618
(415) 652-8187 Ice cream
T Gary Rogers

Duriron
3100 Research Boulevard
Dayton, OH 45420
(513) 226-4000 Chemical process equip
John S Haddick

Duty Free Intl
19 Catoonah Street
Ridgefield, CT 06877
(203) 431-6057 Duty free retail stores
John A Couri

Ecology and Environment
368 Pleasantview Drive
Lancaster, NY 14086
(716) 684-8060 Environ consult & testing
Gerhard J Neumaier

Electronic Arts
1820 Gateway Drive
San Mateo, CA 94404
(415) 571-7171 Computer games
Lawrence F Probst III

Emcon
400 South El Camino Real, Suite 1200
San Mateo, CA 94402
(415) 375-1522 Waste mgmt eng & consult
Thorley D Briggs

Empi
1275 Grey Fox Road
St Paul, MN 55112
(612) 636-6600 Physical therapy equip
Donald D Maurer

EnClean
6750 West Loop South, Suite 1000
Bellaire, TX 77401
(713) 661-4700 Ind & environ cleaning svcs
Malcolm Waddell

Energy Ventures
5 Post Oak Park, Suite 1760
Houston, TX 77027
(713) 297-8400 Oilfield equip & svcs
Bernard J Duroc-Danner

Fastenal
2001 Theurer Boulevard
Winona, MN 55987
(507) 454-5374 Retails fasteners
Robert A Kierlin

Fiserv
2152 South 114th Street
Milwaukee, WI 53227
(414) 546-5000 Computer services for banks
George D Dalton

Forest Labs
150 East 58th Street
New York, NY 10155
(212) 421-7850 Pharmaceuticals
Howard Solomon

Franklin Resources
777 Mariners Island Boulevard
San Mateo, CA 94404
(415) 378-2000 Fund management
Charles B Johnson

Frederick's of Hollywood
6608 Hollywood Boulevard
Los Angeles, CA 90028
(213) 466-5151 Retail & mail order apparel
George W Townson

Frontier Insurance Group
196 Broadway, PO Box 5016
Monticello, NY 12701
(914) 796-2100 Specialty prop & casualty ins
Walter A Rhulen

Frozen Food Express Inds
PO Box 655888
Dallas, TX 75265
(214) 428-7661 Trucking perishable commods
Stoney M Stubbs Jr

Gainsco
PO Box 2933
Fort Worth, TX 76113
(817) 336-2500 Property & casualty insurance
Joseph D Macchia

Geodynamics
5520 Ekwill Street
Santa Barbara, CA 93111
(805) 964-9905 Defense & intell software
Robert L Paulson

Geonex
150 Second Ave North, 12th Floor
St Petersburg, FL 33701
(813) 823-3300 Mapping & site analysis
Harold F Flynn

Geraghty & Miller
125 East Bethpage Road
Plainview, NY 11803
(516) 349-7600 Groundwater resource mgmt
David W Miller

CR Gibson
32 Knight Street
Norwalk, CT 06856
(203) 847-4543 Gift & stationery prods
Frank A Rosenberry

Goal Systems
7965 North High Street
Columbus, OH 43235
(614) 888-1775 Data center mgmt
David C Wetmore

Grist Mill
21340 Hayes Avenue
Lakeville, MN 55044
(612) 469-4981 Grain based cereals & snacks
Ronald K Zuckerman

Group 1 Software
6404 Ivy Lane
Greenbelt, MD 20770
(301) 982-2000 Marketing & mailing software
Robert S Bowen

Gundle Environmental Systems
19103 Gundle Road
Houston, TX 77073
(713) 443-8564 Liners for hazard waste ctrl
David S Eakin

Hach
5600 Lindbergh Drive, PO Box 389
Loveland, CO 80539
(303) 669-3050 Water analysis equip & chems
Kathryn C Hach

Haemonetics
400 Wood Road
Braintree, MA 02184
(617) 848-7100 Blood reinfusion equip
John F White

Handex Environ Recovery
500 Campus Drive
Morganville, NJ 07751
(908) 536-8500 Oil tank pollution ctrl svcs
Curtis L Smith Jr

HealthCare Compare
3200 Highland Avenue
Downers Grove, IL 60515
(708) 719-9000 Health ind finl & mgmt svcs
James C Smith

Heartland Express
2777 Heartland Drive
Coralville, IA 52241
(319) 645-2728 Trucking
Russell A Gerdin

Home Nutritional Svcs
PO Box 243
Parsippany, NJ 07054
(201) 515-4900 Home based intraven therapy
Kent H Kerkhof

Hooper Holmes
170 Mount Airy Road
Basking Ridge, NJ 07920
(908) 766-5000 Health info & healthcare svcs
James M McNamee

ILC Technology
399 Java Drive
Sunnyvale, CA 94089
(408) 745-7900 Laser & fiber optics equip
Henry C Baumgartner

Insituform Mid-America
17988 Edison Avenue
Chesterfield, MO 63005
(314) 532-6137 Pipe, sewer & conduit repair
Jerome Kalishman

Intl Dairy Queen
5701 Green Valley Drive
Minneapolis, MN 55437
(612) 830-0200 Fast-food restaurants
Michael P Sullivan

Intl Recovery
700 South Royal Poinciana Boulevard
Miami Springs, FL 33166
(305) 884-2001 Plane refueling, waste recov
Ralph R Weiser

Intertrans
125 E John Carpenter Freeway, Suite 900
Irving, TX 75062
(214) 830-8888 Intl freight forwarding
Sam N Wilson

Isco
4700 Superior Street
Lincoln, NE 68504
(402) 464-0231 Precision instruments
Robert W Allington

J&J Snack Foods
6000 Central Highway
Pennsauken, NJ 08109
(609) 665-9533 Snack foods & beverages
Gerald B Shreiber

Jean Philippe Fragrances
551 Fifth Avenue
New York, NY 10176
(212) 983-2640 Mkts clones of designer frag
Jean Madar

Kasler
27400 East 5th Street
Highland, CA 92346
(714) 884-4811 Industrial construction
E Robert Ferguson

Kaydon
19329 US 19 North
Clearwater, Fl 34624
(813) 531-1101 Bearings, filtration prods
Lawrence J Cawley

Keane
Ten City Square
Boston, MA 02129
(617) 241-9200 Computer svcs & systems
John F Keane

Kent Electronics
5600 Bonhomme Road
Houston, TX 77036
(713) 780-7770 Distrib electronic prods
Morrie K Abramson

Kentucky Medical Ins
PO Box 35880
Louisville, KY 40232
(502) 339-5700 Medical liability insurance
Steven L Salman

Kirby
1775 St James Pl, Suite 300, PO Box 1745
Houston, TX 77056
(713) 629-9370 Barge trans, diesel repair, ins
George A Peterkin Jr

Koll Management Svcs
4343 Von Karman Avenue
Newport Beach, CA 92660
(714) 833-9360 Real estate management
Ray Wirta

Landauer
2 Science Road
Glenwood, IL 60425
(708) 755-7000 Radiation monitoring svcs
Thomas M Fulton

Landmark Graphics
16001 Park Ten Place, Suite 350
Houston, TX 77084
(713) 578-4200 Computerized oil explor equip
C Eugene Ennis

Laser Precision Corp
32242 Paseo Adelanto, Suite A
San Juan Capistrano, CA 92693
(213) 277-5162 Precision instruments
C Fredrick Sehnert

Lawter Intl
990 Skokie Boulevard
Northbrook, IL 60062
(708) 498-4700 Printing inks & resins
Daniel J Terra

Lechters
One Cape May Street
Harrison, NJ 07029
(201) 481-1100 Specialty retail
Donald Jonas

P Leiner Nutritional Prods
1845 W 205th Street
Torrance, CA 90501
(213) 328-9610 Vitamins & nutritional supls
Michael Leiner

Lindsay Manufacturing
PO Box 156
Lindsay, NE 68644
(402) 428-2131 Electrical irrigation sys
Gary D Parker

Linear Technology
1630 McCarthy Boulevard
Milpitas, CA 95035
(408) 432-1900 Integrated circuits
Robert H Swanson Jr

Liuski Intl
10 Hub Drive
Melville, NY 11747
(516) 454-8220 Distrib, mfg PC equip
Hsing (Morries) Y Liu

LXE
303 Research Drive
Norcross, GA 30092
(404) 447-4224 Transac-process comm equip
John E Pippin

Magma Power
11770 Bernardo Plaza Court, Suite 366
San Diego, CA 92128
(619) 487-9412 Geothermal energy
Andrew W Hoch

Mail Boxes Etc
5555 Oberlin Drive
San Diego, CA 92121
(619) 452-1553 Private postal & business svcs
Anthony W DeSio

Matrix Services
10701 East Ute Street
Tulsa, OK 74116-1517
(918) 838-8822 Oil refining maint
Doyl D West

Maxim Integrated Prods
120 San Gabriel Drive
Sunnyvale, CA 94086
(408) 737-7600 Integrated circuits
John F Gifford

MBIA
113 King Street
Armonk, NY 10504
(914) 273-4545 Municipal bond insurer
William O Bailey

McGrath RentCorp
2500 Grant Avenue
San Lorenzo, CA 94580
(415) 276-2626 Sells & leases modular offices
Robert P McGrath

MedChem Prods
232 West Cummings Park
Woburn, MA 01801
(617) 938-9328 Medical prods
David A Swann

Medicine Shoppe Intl
1100 North Lindbergh Boulevard
St Louis, MO 63132
(314) 993-6000 Franchised pharmacies
David A Abrahamson

Medstat Systems
777 E Eisenhower Parkway, Suite 500
Ann Arbor, MI 48108
(313) 996-1180 Software for health care ind
Ernest G Ludy

Merchants Group
250 Main Street
Buffalo, NY 14202
(716) 849-3333 Insurance
James F Marino

Mestek
260 North Elm Street
Westfield, MA 01085
(413) 568-9571 Climate ctrl equip, env svcs
John E Reed

Methode Electronics
7444 West Wilson Avenue
Chicago, Il 60656
(708) 867-9600 Electronic equip
William J McGinley

Micro Healthsystems
414 Eagle Rock Avenue
West Orange, NJ 07052
(201) 731-9252 Software for health care ind
Salvatore M Caravetta

Micros Systems
12000 Baltimore Avenue
Beltsville, MD 20705
(301) 490-2000 Transaction processing equip
Reay Sterling Jr

Mid-American Waste Systems
1006 Walnut Street
Canal Winchester, OH 43110
(614) 833-9155 Solid waste disposal svcs
Christopher L White

Modern Controls
7500 Boone Avenue North
Minneapolis, MN 55428
(612) 493-6370 Test instruments
William N Mayer

Moorco Intl
2700 Post Oak Blvd, Suite 2400
Houston, TX 77056
(713) 993-0999 Fluid meters & valves
George A Ciotti

Mylex
34551 Ardenwood Boulevard
Fremont, CA 94555
(510) 796-6100 PC motherboards & cards
M Akram Chowdry

NAC Re
One Greenwich Plaza, PO Box 2568
Greenwich, CT 06836
(203) 622-5200 Prop & casualty reinsurance
Ronald L Bornhuetter

Nature's Sunshine Prods
PO Box 1000
Spanish Fork, UT 84660
(801) 798-9861 Nutri & personal care prods
Alan D Kennedy

Nellcor
25495 Whitesell Street
Hayward, CA 94545
(510) 887-5858 Patient-monitoring instr
C Raymond Larkin Jr

Neutrogena
5760 West 96th Street
Los Angeles, CA 90045
(213) 642-1150 Specialty soaps
Lloyd E Cotsen

Nichols Institute
33608 Ortega Highway
San Juan Capistrano, CA 92690
(714) 661-8000 Clinical testing svcs
Albert L Nichols

Nichols Research
4040 South Memorial Parkway
Huntsville, AL 35802
(205) 883-1140 Technical svcs for defense
Chris H Horgen

OEA
PO Box 10488
Denver, CO 80210
(303) 693-1248 Airbag propellants & equip
Ahmed D Kafadar

Offshore Logistics
224 Rue De Jean
Lafayette, LA 70508
(318) 233-1221 Transport svcs for oilfield ind
James B Clement

OI
Graham Road at Wellborn, PO Box 2980
College Station, TX 77841
(409) 690-1711 Precision instruments
William W Botts

Osmonics
5951 Clearwater Drive
Minnetonka, MN 55343
(612) 933-2277 Filtration equip
D Dean Spatz

Paychex
911 Panorama Trail South
Rochester, NY 14625
(716) 385-6666 Payroll accounting svcs
B Thomas Golisano

PDA Engineering
2975 Redhill Avenue
Costa Mesa, CA 92626
(714) 540-8900 Mechanical eng software
Louis A Delmonico

Penril Datacomm Networks
1300 Quince Orchard Blvd
Gaithersburg, MD 20878
(301) 417-0552 Test & data comm equip
Henry David Epstein

Pentech Intl
2 Ethel Road
Edison, NJ 08817
(908) 287-6640 Writing instruments
Norman Melnick

Pharmacy Management Svcs
3611 Queen Palm Drive
Tampa, FL 33619
(813) 626-7788 Health cost containment svcs
Cecil S Harrell

Plains Petroleum
12596 West Bayaud Avenue, Suite 400
Lakewood, CO 80228
(303) 969-9325 Oil & gas expl, devel & prod
James A Miller

Psicor
16818 Via Del Campo Court
San Diego, CA 92127
(619) 485-5599 Heart surgery equip & svcs
Michael W Dunaway

Rainbow Technologies
9292 Jeronimo Road
Irvine, CA 92718
(714) 454-2100 Computer security prods
Walter W Straub

Raven Industries
PO Box 1007
Sioux Falls, SD 57117
(605) 336-2750 Electron, plastics, sewn prods
David A Christensen

Raymond James Financial
880 Carillon Parkway
St Petersburg, FL 33716
(813) 573-3800 Securities brokerage
Thomas A James

RehabCare
112 South Hanley Road
St Louis, MO 63105
(314) 863-7422 Devel & manages rehab clinics
James M Usdan

Research Inds
6864 South 300 West
Midvale, UT 84047
(801) 562-0200 Disposable cardiovasc prods
Gary L Crocker

Respironics
1001 Murry Ridge Drive
Murrysville, PA 15668
(412) 373-8114 Respiratory medical prods
Gerald E McGinnis

Rexon
1334 Park View Avenue, Suite 200
Manhattan Beach, CA 90230
(213) 545-4441 Computer equip
Michael O Preletz

St Jude Medical
One Lillehei Plaza
St Paul, MN 55117
(612) 483-2000 Mechanical heart valves
Lawrence A Lemkuhl

Sbarro
763 Larkfield Road
Commack, NY 11725
(516) 864-0200 Italian restaurants
Mario Sbarro

SCOR US
110 William Street
New York, NY 10038
(212) 513-1777 Property & casualty reinsur
Patrick Peugeot

Sealright
7101 College Boulevard, Suite 1400
Overland Park, KS 66210
(913) 344-9000 Food & dairy packaging
Marvin W Ozley

SEI
680 E Swedesford Road
Wayne, PA 19087
(215) 254-1000 Info svcs for money managers
Alfred P West Jr

Seitel
16010 Barker's Point Lane, Suite 550
Houston, TX 77079
(713) 558-1990 Mkts seismic data to oil cos
Herbert M Pearlman

Sensormatic Electronics
500 Northwest 12th Avenue
Deerfield Beach, FL 33442
(305) 427-9700 Electronic surveillance equip
Ronald G Assaf

Serv-Tech
4115 Old Galveston Road
Houston, TX 77017
(713) 644-9974 Maintains oil & chem plants
Richard W Krajicek

Sierra Tucson Cos
16500 N Lago Del Oro Pkwy
Tucson, AZ 85737
(602) 792-5800 Substance abuse rehab cntrs
William T O'Donnell Jr

Solectron
2001 Fortune Drive
San Jose, CA 95131
(408) 942-1943 Printed circuit boards
Winston H Chen

Spaghetti Warehouse
6120 Aldwick Drive
Garland, TX 75043
(214) 226-6000 Italian restaurants
Louis P Neeb

Span America Medical Systems
PO Box 5231
Greenville, SC 29606
(803) 288-8877 Foam pads for health care
Donald C Spann

Spartan Motors
1000 Reynolds Road
Charlotte, MI 48813
(517) 543-6400 Specialized heavy duty trucks
George W Sztykiel

SPI Pharmaceuticals
3300 Hyland Avenue
Costa Mesa, CA 92626
(714) 545-0100 Pharmaceuticals
Milan Panic

State Auto Financial
518 East Broad Street
Columbus, OH 43216
(614) 464-5000 Auto & homeowner insur
Robert L Bailey

State Of The Art
56 Technology
Irvine, CA 92718
(714) 753-1222 PC accounting software
David S Samuels

Structural Dynamics Res
2000 Eastman Drive
Milford, OH 45150
(513) 576-2400 CAE software & svcs
Ronald J Friedsam

Stryker
2725 Fairfield Road
Kalamazoo, MI 49002
(616) 385-2600 Powered surgical instruments
John W Brown

Sullivan Dental Prods
10920 West Lincoln Avenue
West Allis, WI 53227
(414) 321-8881 Dental supplies & equip
Robert J Sullivan

Sun Television & Appl
1583 Alum Creek Drive
Columbus, OH 43209
(614) 445-8401 Retails consumer electronics
Macy T Block

Surgical Care Affiliates
102 Woodmont Boulevard, Suite 610
Nashville, TN 37205
(615) 385-3541 Outpatient surgical centers
Joel C Gordon

Symix Systems
2800 Corporate Exchange Dr, Suite 400
Columbus, OH 43231
(614) 523-7000 Financial mgmt software
Lawrence J Fox

T2 Medical
1121 Alderman Drive
Alpharetta, GA 30202
(404) 442-2160 Home care infusion therapy
Thomas E Haire

Techne
614 McKinley Place NE
Minneapolis, MN 55413
(612) 379-8854 Clinical diagnostic equip
Thomas E Oland

Tekelec
26580 West Agoura Road
Calabasas, CA 91302
(818) 880-5656 Communications test equip
Peter N Vicars

Tetra Technologies
25231 Grogans Mill Road, Suite 100
The Woodlands, TX 77380
(713) 367-1983 Waste recyc & treatment svcs
Michael L Jeane

Thermo Instrument Sys
504 Airport Road
Santa Fe, NM 87504
(505) 471-3232 Pollution detect equip
Arvin H Smith

Tootsie Roll Industries
7401 South Cicero Avenue
Chicago, IL 60629
(312) 838-3400 Candy
Melvin J Gordon

Total System Services
PO Box 1755
Columbus, GA 31902
(404) 649-2204 Bankcard data process svcs
Richard W Ussery

Tranzonic Cos
30195 Chagrin Boulevard
Pepper Pike, OH 44124
(216) 831-5757 Personal care & home prods
Robert S Reitman

Trenwick Group
Metro Center, One Station Place
Stamford, CT 06902
(203) 353-5500 Property & casualty reinsur
James F Billet Jr

TriCare
17101 Armstrong Avenue, Suite 200
Irvine, CA 92714
(714) 250-4092 Healthcare eval svcs
Stephen F Bullock

Tseng Labs
10 Pheasant Run - Newtown Commons
Newtown, PA 18940
(215) 968-0502 Graphics cards for PCs
Jack Tseng

Utah Medical Products
7043 South 300 West
Midvale, UT 84047
(801) 566-1200 Critical care medical prods
William Dean Wallace

Utilx
22404 66th Avenue South
Kent, WA 98032
(206) 395-0200 Cable & pipe installer
John R Potter

Value Merchants
710 North Plankinton Avenue
Milwaukee, WI 53203
(414) 274-2575 Wholesales closeout toys
Steven J Appel

Vencor
Brown & Williamson Tower, Suite 700
Louisville, KY 40202
(502) 569-7300 Hospitals for chronically ill
W Bruce Lunsford

VeriFone
Three Lagoon Drive, Suite 400
Redwood City, CA 94065
(415) 591-6500 Transaction automation sys
Hatim A Tyabji

Vertex Communications
PO Box 1277
Kilgore, TX 75662
(903) 984-0555 Grnd station satellite anten
J Rex Vardeman

Vicor
23 Frontage Road
Andover, MA 01810
(508) 470-2900 Electric power systems
Patrizio Vinciarelli

Vital Signs
20 Campus Road
Totowa, NJ 07512
(201) 790-1330 Anesthesia & respiratory prods
Terence D Wall

Werner Enterprises
PO Box 37308
Omaha, NE 68137
(402) 895-6640 Trucking
Clarence L Werner

X-Rite
3100 44th Street SW
Grandville, MI 49418
(616) 534-7663 Quality control instruments
Ted Thompson

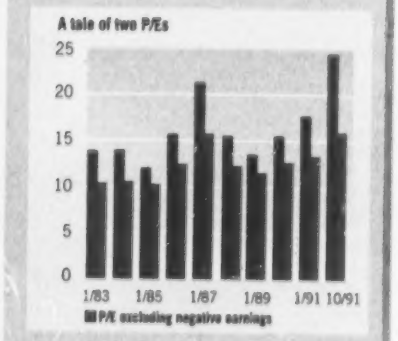
James Engle, portfolio manager of the $30 million (assets) Neuwirth Fund, is investing in two industries that are perceived as being depressed—natural gas and financial services. Engle likes gas producers selling below the value of their proven reserves, such as Dorchester Hugoton and Plains Petroleum.

As for banks, Engle favors two smallish Colorado banks—Affiliated Bankshares of Colorado and Colorado National Bankshares—that have survived the banking industry's problems. Both show declines in nonperforming assets and pay a small dividend. (Affiliated restored its dividend earlier this year.) "When is the last time you heard of a bank establishing, not reducing or omitting, a dividend?" asks Engle.

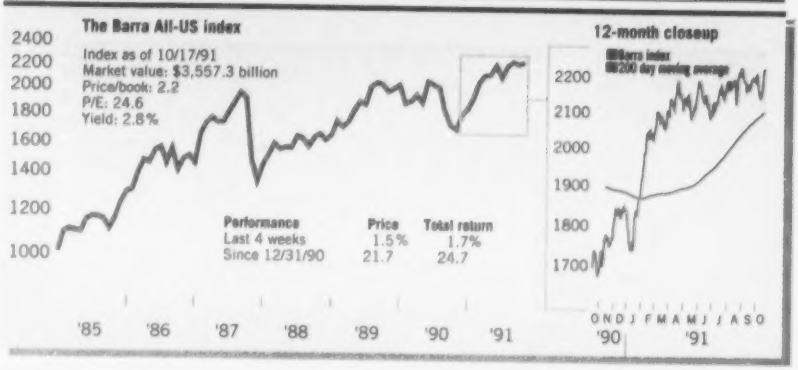
Even though two Dow stocks—AT&T and Westinghouse—took poundings, the Dow hit a new high during the two weeks ended Oct. 17.

Special focus

There are two ways to calculate a latest 12-month price/earnings ratio for the Barra All-US index of roughly 5,000 stocks. Barra gets a P/E of 16 by excluding GM, Continental Airlines and 1,900 other firms, which lost a combined $52 billion. Include the losers, and the P/E jumps to 24.6. The gap between the P/E methods is wider than it's been since early 1987. By January 1988 the last big spread was closed by a collapse in stock prices that punished moneymaking companies more than moneylosing ones. It could happen again.



The overall market



Closeup on the market

Index or investment	2-week change	% change from 1 year	% change from 5-year high
Barra All-US index	2.1%	31.6%	-0.3%
Sharpe/Barra Growth index[1]	2.0	39.0	-0.6
Sharpe/Barra Value index[2]	2.0	31.9	-0.5
Dow Jones industrials	2.3	24.5	-0.3
S&P 500	1.9	28.2	-1.2
NYSE	1.9	29.2	-0.6
Nasdaq	3.0	60.5	-0.9
Amex	2.2	30.6	-4.0
EAFE[3]	-1.7	3.0	-18.1
CRB index[4,5]	0.9	-5.4	-19.7
Gold[5]	0.7	-3.1	-28.4
Yen[5]	-0.9	4.0	-21.1
Oil[5]	5.7	-34.9	-41.8

The best and worst performing stocks[6]

Best	Price	2-week change	1991 EPS[7]	Worst	Price	2-week change	1991 EPS[7]
Entertainment Publishing	28 ½	75%	$1.40*	FHP International	12¾	-32%	$1.59*
State Of The Art	11 ⅞	40	0.54	SynOptics Communications	15⅜	-27	1.74
EMC	8 ⅞	37	0.54	Lowe's Cos	24⅞	-25	1.81
Lattice Semiconductor	13 ¼	31	0.89	IPL Systems	17½	-24	1.80
Organogenesis	17 ½	30	NA	Westinghouse Electric	17⅛	-23	1.86

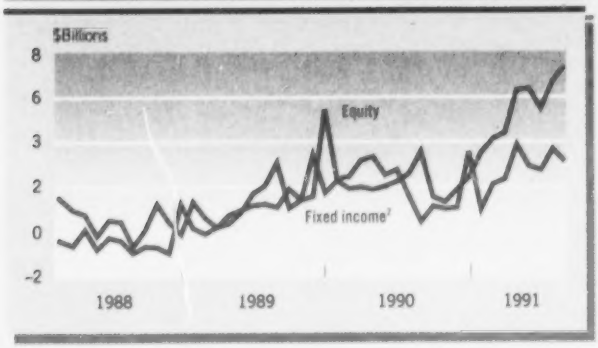
The best and worst performing industry factors[4,8]

Best	2-week change	Since 12/31/90	Worst	2-week change	Since 12/31/90
Air transport	10.4%	13.6%	Beverages	4.4%	34.9%
Photographic, optical	8.2	1.7	Apparel, textiles	3.3	12.5
Aluminum	7.8	8.1	Leisure, luxury	1.9	36.1
Water transport	6.4	33.5	Thrifts	1.8	38.2
Coal, uranium	6.2	-0.2	Misc finance	1.4	2.0

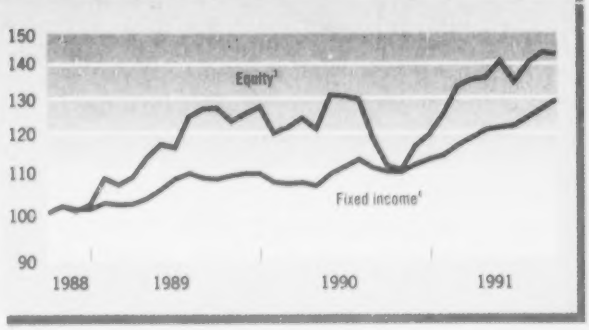
Note: Data for period ending 11/17/91. The Barra All-US index consists of all publicly traded common stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. markets. ADRs, REITs and closed-end funds are excluded. [1] Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above average earnings growth. [2] Total return of a portfolio of more than 300 large-capitalization stocks characterized by low price-to-book ratios, high yields and low price-to-earnings ratios. [3] A dollar-denominated capitalization-weighted index of more than 1,000 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [4] Index of 21 commodity futures. [5] Knight-Ridder Financial Information. [6] During the last two weeks. [7] Estimate. Source: Institutional Brokers Estimate System, from IBES Inc. [8] Shows return to the industry factor after controlling for other influences including company size, value and growth characteristics. Multi-industry firms have proportional contributions in two or more groups. NA: Not available. *1992 estimate. Principal source: Barra, Inc.,

BY TINA RUSSO McCARTHY

Sales



Performance



So far this year investors have poured $44 billion into fixed-income funds and $22 billion into stock funds. Not coincidentally, both stocks and bonds are getting much more expensive. There's a positive feedback going on here. Stock funds tend to attract assets after a period in which they have done well—after stocks have gotten expensive, that is. Bond funds get popular in times like the present, when interest rates are declining and bond prices are rising. Meanwhile, buying pressure, brought on by the influx of money into both kinds of funds, is contributing to higher prices for stocks and bonds.

Will the self-reinforcing expansion last much longer? Probably not. The overall stock market is selling for a hefty 24 times latest 12-month earnings (see previous page) and the economic recovery is still sputtering. And when the economy does start to heat up, interest rates could climb. This would be bad news for long-term bond funds.

Two of the best bond funds during the last five years—Benham Target Maturities 2005 and Vanguard Fixed Income-GNMA—invest in long-term government-backed securities. Junk bond funds have recovered somewhat from their lows following the collapse of Drexel Burnham Lambert but they remain among the poorest long-term performers. Among the hottest equity funds during the latest stock market cycle (August 1987 to September 1991) were sector funds such as Fidelity Select-Health Care and Fidelity Select-Utilities. But sector funds focusing on gold and precious metals took a beating.

The best performers

Fund	Forbes rating up	Forbes rating down	Cycle[6] return	Total[7] return
Equity[5]				
Fidelity Select-Health Care	A+	D	79.9%	19.9%
Bergstrom Capital	A	A	67.4	19.7
Berger One Hundred	A	D	81.7	19.6
Fidelity Contrafund	A+	D	57.5	15.3
Fidelity Growth	A	D	59.1	14.6
CGM Capital Development	A+	B	98.5	13.8
Fidelity Select-Utilities	D	A	23.0	13.8
Financial Industrial Income	B	B	44.5	13.6
AIM Equity-Charter Fund	B	C	36.2	11.7
AIM Equity-Weingarten Fund	A+	D	42.2	11.5
Fixed income				
Benham Target Maturities-2005	A+	F	31.7	17.6
Transamerica Income Shares	A	B	19.9	11.4
USAA Mutual-Income Shares	A	C	19.5	10.5
Vanguard Fixed Income-GNMA	A	C	16.7	10.1
Smith Barney-US Government	A	D	16.7	10.0

The worst performers

Fund	Forbes rating up	Forbes rating down	Cycle[6] return	Total[7] return
Equity[5]				
Strategic Investments Fund	D	F	-29.2%	-22.7%
United Services-Gold Shares	D	D	-18.2	-15.0
ASA Limited	C	D	-24.3	-14.7
Bull & Bear Gold Investors	F	F	-13.0	-12.0
Fidelity Select-Precious Metals & Mins	D	D	-11.4	-11.3
Keystone Precious Metals	D	D	-7.5	-10.7
United Services-Global Resources	D	D	-2.6	-10.3
Lexington Goldfund	D	D	-16.5	-9.9
Van Eck International Investors	C	D	-10.2	-8.7
Vanguard Special-Gold & Precious	D	C	-4.3	-7.2
Fixed income				
Pilgrim S-T Multi-Markets Income	F	C	6.9	-4.9
Dean Witter High Yield Securities	B	F	15.8	-1.8
Alliance Bond-High Yield	C	D	27.3	1.0
Keystone Custodian B-4	C	D	18.3	1.7
First Investors High-Yield Fund	D	D	17.0	1.8

Note: To be rated, equity funds must be in existence since 6/30/83; taxable bonds 9/30/86, junk bonds 2/28/87. [1]Monthly net sales of open-end funds. Net sales are purchases by investors, including reinvested dividends, less redemptions. [2]Includes tax-free and foreign bond funds. Source: Investment Co. Institute. [3]Index of total return for the 25 largest stock funds in 1986. [4]Index of total return for the 25 largest taxable bond funds in 1986. [5]Includes balanced funds. [6]Total return (annualized), for one market cycle: equity, 8/31/87 to 9/30/91; bonds, 9/30/86 to 9/30/91. [7]Latest twelve months through 9/30/91.